

WASHINGTON STATE GAMBLING COMMISSION

MINUTES COMMISSION MEETING THURSDAY, MAY 13, 1999

Chairperson McLaughlin called the meeting to order at 1:30 p.m. at the Heathman Lodge, Vancouver, Washington. She introduced the members of the Commission and the staff present.

MEMBERS PRESENT:

LIZ McLAUGHLIN, Chairperson;
EDWARD HEAVEY,
CURTIS LUDWIG, and
PATRICIA L. HERBOLD
Ex Officio Members SENATOR MARGARITA PRENTICE,
SENATOR SHIRLEY WINSLEY, and REPRESENTATIVE KAREN SCHMIDT

OTHERS PRESENT:

BEN BISHOP, Executive Director;
SHERRI WINSLOW, Deputy Director of Operations;
ED FLEISHER, Deputy Director of Policy and Government Affairs;
CALLY CASS-HEALY, Assistant Director of Field Operations
DERRY FRIES, Assistant Director of Licensing Operations;
BOB BERG, Assistant Director, Special Operations;
AMY PATJENS, Manager, Communications and Legal Department;
JONATHAN McCOY, Assistant Attorney General;
TERRY WESTHOFF, Financial Investigations Unit; and
SUSAN YEAGER, Executive Assistant

Chairperson McLaughlin announced that Commissioner Forrest is not present today, but he may be joining the meeting via speakerphone tomorrow.

LICENSE APPROVALS

NEW LICENSES, CHANGES, AND TRIBAL CERTIFICATIONS

Commissioner Herbold moved to approve the new licenses, changes, and tribal certifications as listed in the agenda on pages 1-23; **Commissioner Heavey** seconded the motion. *Vote taken; motion carried with four aye votes.*

FRIDAY'S AGENDA

Ms. Patjens said there is one small change to today's agenda. Under Phase II reviews, Kegler's Choice will not be going forward. Tomorrow there is a brief staff report -- a legislative update -- by Ed Fleisher. There are a number of rules up for final action: 5 bingo rules and 60 card room rules. There are three rules up for discussion, the first set refers to Washington Blackjack and then there's another rule that was filed after the last meeting dealing with the internal control evaluation procedures. After the last Commission meeting, it was asked that they put Rick Balam's alternative rule on the agenda, so that's under item number 7 for discussion and possible filing. Also at the last meeting, Commissioner Ludwig requested that rules be put on this month's agenda that deal with defining "established business." Finally, there are two housekeeping rules on public disclosure to make them consistent with state law. Under "Other Business," there will be a formal vote on the supplemental budget proposal, which they will hear about during a staff report by Director Bishop. And finally, at the Commission's request, there is a discussion of the video pull-tabs for charitable and nonprofit organizations on the agenda. **Chairperson McLaughlin** said she'd like to change number four to come after all the qualification reviews so the rest of the meeting could be spent on the issue of Governor's Locke's letter. The commissioners concurred.

STAFF REPORTS

SUPPLEMENTAL BUDGET REQUEST

Ben Bishop, Executive Director

Director Bishop said that the budget presented to the commissioners last year of \$22,700,000 was subsequently sent to be

a part of the Governor's package and was passed by the Legislature. The agency's request at that time was for 164 FTEs. The legislative salary increase will result in an increase of approximately \$400,000 for 164 FTEs and a total of \$23 million. Since submitting that budget, they have better information regarding enhanced card rooms. The staff had computed the original budget on 30 card rooms, which turned out to be a low estimate and the level of staff needed is greater than anticipated, so they will be asking for an increase. Also, subsequently, the tribal lottery machines have been approved and will result in additional FTEs. There have been changes in the nonprofit structure, the way business is done with them and also the fact that they have added the satellite bingo would be a small increase. As a result of this, the agency will be asking for up to 40 FTE's and up to \$6.6 million as a supplement to the budget request. He pointed out that the largest portion of what they would be asking for was for the enhanced card room – 34.5 additional FTEs, should the agency reach the level of 80 enhanced card rooms.

Director Bishop asked for the authority to be able to hire based on the level of card rooms that are approved and they have already included in the budget 18 FTEs, which would increase to 52.5, should they end up with 80 card rooms. That portion of the request is an increase of \$4.7 million. For the Tribal Lottery System, they are requesting 4-1/2 FTEs, with the half being used for both normal business and also as a backup for the lab. That results in \$760,000. The nonprofit coordinator would be dedicated to working with the charities. They would have a specific person who knew their issues and that position results in a \$157,000 increase. As a result of all the other growth, the physical quarters for the staff are no longer adequate and they are working on moving the staff to another building. This results in \$980,000 for a total increase in the agency's request of \$6.6 million. They are requesting money for the entire biennium for the enhanced card room and Tribal Lottery System part of the package, but doubt all of that money would be spent. So he is asking for approval to go to OFM for approval to go in with a supplemental package for this based upon adding the FTEs as they are needed. He said the supplemental budget request is on tomorrow's agenda for approval.

Representative Schmidt asked what square footage was in the current building and what it would be in the new building. **Ed Fleisher** said current square footage is just under 22,000, and the new building will be about 32,000 square feet. **Rep. Schmidt** asked if they were going to lease. **Ed Fleisher** said the lease is not yet signed, but the process with the Department of General Administration (GA) has been completed. The building would be about two blocks from where they are right now. **Rep. Schmidt** pointed out that a new building in Olympia was being built and there might be space available there as an option if it would be more economical. **Director Bishop** said the staff would explore that with GA. He said right now, the agency is seeking a short-term lease for the electronics lab because there is no room to keep this in the current building and that would be in addition to what they currently have. **Mr. Fleisher** said that would be another 1,200 square feet if they can get the sublease, and it would be temporary space until the end of the year. He said the current lease is up, so even if they remained where they were they would have a rent increase. A newly-formed committee from the agency looked at four locations and the best place tied for the least expensive rate on the lease. **Director Bishop** said those four places were authorized by GA for them to look at. He said he would check into the other option, but he assumed they already had considered that.

Chairperson McLaughlin said the public testimony would take place tomorrow on the motion for a supplemental budget.

WASHINGTON BLACKJACK

Bob Berg, Assistant Director, Special Operations

Mr. Berg briefed the commissions on an operation that had been concluded on April 30, 1999. The Special Investigations Unit received information toward the end of February of this year that a subject formerly but not currently licensed by the Gambling Commission was involved in banking Washington Blackjack games in numerous locations in the Puget Sound Area. This information was verified and an undercover investigation was initiated and lasted about six weeks. Ten agents from the unit were assigned to investigate an individual who, with the key assistance of five others, was involved in banking Washington Blackjack games and providing dealers, game rules, equipment, etc., to those locations in King, Snohomish, and Pierce County. These were viewed as violations of the Gambling Act and the investigation was a collaborative effort with local law enforcement. On April 30, the information gathered was presented to the executive director of the agency and ten summary suspension orders were issued and served upon the violators by 45 Gambling Commission agents and local enforcement officers from King County, Everett, Tacoma, Federal Way, Snohomish, and Mount Lake Terrace and Tukwila. None of these establishments are in the house banked card room program. They are card rooms that are supposed to be used for player-banked games.

Mr. Berg said that simultaneous to these visits, the agents served a search warrant issued by King County at a location in White Center at which records and gambling equipment were seized. This was the headquarters of the primary target of their investigation. The facilities that received summary suspension orders included the Roxbury Restaurant, located outside the city limits of Seattle; Sports World Grill and Lounge; AMF Bowling Centers, Inc., located in Kent, Washington; the Nonstop Bar and Grill, located in Tukwila; the Box Seat, located in Federal Way; Hunan Palace; Michael's Poker Casino,

located in Everett; the Spot Tavern, located in Mountlake Terrace; Wayne's World, located just outside the city limits of Seattle; Grumpy's II, located on Martin Luther King Way just outside of Seattle; The Oxford Saloon, Snohomish; and Club Silverstone, Tacoma. In addition to the 10 administrative summary suspension orders that were served, 6 felony arrests were made and all individuals were booked into the King County Regional Justice Center, issued 13 misdemeanor citations through the summons process, bringing another 15 individuals before local court systems. More than \$25,000 in cash, Blackjack tables, chips, gambling paraphernalia, records, and other papers were seized. The investigation is continuing and, working closely with the Attorney General's Office, there will be administrative hearings, and they will continue to work with the King County Prosecutor's Office, which was the lead agency on this, to prosecute these cases criminally. **Mr. Berg** distributed a handout that contains most of the information he presented.

QUALIFICATION REVIEWS

LAKE WASHINGTON YOUTH SOCCER ASSOCIATION, Bothell

Mr. Westhoff said that the organization's fiscal year ended December 31, 1998. This is an athletic organization and did not meet its net return requirement for its Class "K" bingo license for its fiscal year. The organization met program and supporting service expenditure requirements, did not have excessive reserves, and is participating in the net return moratorium. Based on the review, this organization made significant progress toward its stated purpose through its programs and the staff recommends approval of the organization as an athletic organization to conduct gambling activities in the state of Washington.

Commissioner Herbold called attention to the decline in revenues and wondered if this was a trend or if they expected this to reverse itself in the immediate future. **Mr. Westhoff** said this decline was due to increased competition from card room revenues and they did not expect it to reverse itself. He agreed with Commissioner Herbold that this meant there would be a decrease in program services to compensate for the decline.

Commissioner Heavey said he did not recall in Mr. Westhoff's report if he mentioned that the organization receives half of its income from the bingo operation and that it serves 6,500 children and also maintains soccer fields at other locations. **Mr. Westhoff** said that was correct. **Commissioner Heavey** pointed out that this is a public activity for the benefit of children and is being damaged by the increase of activities in commercial operations. He pointed out that the Commission was not doing much to help them. **Ms. Winslow** said the Net Return Task Force is looking into this type of issue. **Commissioner Heavey** said that the Gambling Commission was not permitting them additional activities so they can offset the losses that they've incurred because of the competition. He said the Legislature is not coming forward with any money either.

Commissioner Herbold moved to adopt the staff's recommendation that Lake Washington Youth Soccer Association be approved as an athletic organization authorized to conduct gambling activities in the state of Washington. **Commissioner Ludwig** seconded the motion. *Vote taken; motion carried with four aye votes.*

40 et 8 #099, Vancouver

Mr. Westhoff said Commission staff conducted a qualification review on this organization for its fiscal year August 31, 1998. A detailed report of the review is in the commissioner's packets. It was noted during the review that this organization is formed as a patriotic organization and met its net return requirement for its Class "L" bingo license and met program and supporting service expenditure requirements for the fiscal year reported. They did not have excessive reserves. For the current year-to-date, they have not met the required net return but are participating in the net return moratorium. Based on the review, the organization made significant progress toward its stated purpose and the staff recommends approval of the organization as a patriotic organization to conduct gambling activities.

Dick Thompson, Thompson and Associates CPAs, said he has been a longtime CPA performing services for the Voyager and called for any questions. **Commissioner Heavey** asked what the direction is of his revenue flow was. **Mr. Thompson** said his CPA firm provides services to most of the bingo operations in southwest Washington, not just the Voyager, and he said revenue clearly was down due to competition in all phases of gambling. In this end of the state, both those activities occurred not only in Washington but Oregon and have affected volume return. **Commissioner Heavey** asked what the decline was over the last year or year and a half. **Mr. Thompson** asked Connie Sorenson, bingo manager, what they were down and she said they were up. Some changes had been made and he congratulated her on the fine job she was doing.

Commissioner Heavey moved to adopt the staff's recommendation and approve 40 et 8 as a patriotic organization and authorized to conduct gambling activities in the state of Washington. The motion was seconded. *Vote taken; motion*

carried with four aye votes.

MANUFACTURER REVIEWS

OASIS TECHNOLOGIES, INC., Omaha, Nebraska

Mr. Westhoff said this organization has applied for a Class D license to sell Tribal Lottery Systems to Class III gaming facilities. They have formed an agreement with Bally Gaming whereby Oasis will produce the software and provide it to Bally Gaming, which will assemble the systems and market them to Class III facilities and licensed distributors. Their corporate offices are located in Omaha, Nebraska, where all corporate and financial records are maintained. Software development is also done at this site. Employment and background checks were done on corporate officers and directors and no disqualifying information was noted. Philip Glassman owns approximately 56 percent of the outstanding stock. Mr. Thomas Cavanaugh of Mt. Vernon, Washington, is the resident agent. The company is currently licensed in Mississippi, and the Mississippi Gaming Commissions reports that they are in good standing in that state. **Mr. Westhoff** said the onsite investigation began March 16, 1999. All pertinent documents were reviewed and no disqualifying information was noted. There were no indications of undisclosed substantial interest holders. Corporation records comply with Commission rules. No evidence of subcontractors or outside influences was noted in an onsite inspection of the company's software development process. Commission agents discussed the licensing process and Commission rules with corporate management. Based on the investigation, the staff recommends the licensure of Oasis Technologies as a Class D manufacturer.

Commissioner Ludwig asked if Oasis Technologies is assembling or working on the electronic lottery and scratch ticket devices that are pending approval. **Mr. Westhoff** said yes, they are doing the software development. Bally Gaming will complete the actual assembling of the device.

Scott Henneman, president, said he appreciated the professionalism demonstrated by the investigators when they came to Omaha and met with their principal officers and employees and it is a compliment to the Commission. **Pat Cavanaugh**, Chief Financial Officer, thanked the Commission, the Commission staff, and people of Washington for allowing them this opportunity to demonstrate their technology.

Commissioner Ludwig moved to approve licensure of Oasis Technologies, Inc., as a Class B manufacturer in Washington.

Commissioner Herbold seconded the motion.

Vote taken; motion carried with four aye votes.

BALLY GAMING, INC., d/b/a/ BALLY GAMING SYSTEMS, INC. Las Vegas, Nevada

Mr. Westhoff said the organization has applied as a manufacturer of state-tribal compact approved Tribal Lottery Systems for sale to Class III gaming operations in the state. Bally's will receive Oasis Technologies software and load it into the Tribal Lottery Systems and assemble the systems at their Las Vegas facility. Bally's is the second largest manufacturer of gaming machines in North America and markets its products worldwide. They are a wholly owned subsidiary of Alliance Gaming Corporation. Corporate and financial records for Alliance and Bally Gaming are maintained in Las Vegas, Nevada. Alliance and Bally Gaming are at the same facility in Las Vegas. The registered agent is John Miller, an attorney located in Fircrest, Washington. Commission agents have investigated corporate officers and the directors and no exceptions were noted. Bally Gaming is a publicly traded company on the NASDAQ stock exchange. As of February 1, 1999, there were 9,790,597 shares outstanding of the 50 million shares authorized. Alfred Wilmes owns 20.2 percent of the outstanding stock and an investigation of him did not reveal any disqualifying information. No individual or organizational substantial interest was noted in the review of the 10.1 percent of the shares owned by the institutional investment company, Fidelity. The company holds numerous state, tribal, and international licenses and an investigation revealed no disqualifying information.

Mr. Westhoff said the company plans to use cash-on-hand for the manufacture and sale of the Tribal Lottery Systems. If required, the company will use a line of credit in which over \$31 million is available. The onsite investigation by Commission agents started on April 5, 1999. The agents reviewed personal and corporate financial records and other documents for disqualifying information and indications of undisclosed interest. The investigation of these records did not reveal any disqualifying information. The manufacturing process was reviewed for compliance and indications of subcontractors. No exceptions were noted. All records and procedures were reviewed for compliance with Commission rules with no potential violations were noted. At the conclusion, the investigation agents discussed Commission rules and compact provisions. Based on the investigation, the staff recommends approval of Bally Gaming, doing business as Bally Gaming and Systems, as a Class B manufacturer.

Chairperson McLaughlin asked if Alliance Gaming Corporation is the corporation that owns Bally, which one is the Commission considering licensing. **Mr. Westhoff** said Bally Gaming, Inc. is the one up for consideration. **Commissioner Heavey** asked why they were not licensing Alliance. He asked if this was the same issue they brought up last time. **Mr. Fries** said that Alliance is the parent company in this case, so it is the reverse of what he had talked about last month. In other words, one corporation is being licensed. They licensed the major corporation last time and now they were licensing the subsidiary, which is this corporation, Bally Gaming Inc.

Chairperson McLaughlin asked if the Commission were to license Alliance, would they be licensing everything under them. And in this way, they were just licensing one facet of what they own. **Mr. Westhoff** said that was correct. **Commissioner Heavey** said that, in the event that Bally runs into trouble with the Gambling Commission, then there would be no way to enforce sanctions against Alliance, which could form another corporation and come back in and ask for a new license. **Mr. Fries** said that is a possibility, but he said that when they discussed this last month, it was his understanding that this was the way they were supposed to go with licensing. He pointed out that they were still a wholly owned subsidiary of Alliance and they are substantial interest holders. He said they investigate all substantial interest holders. **Commissioner Heavey** said he would have to think that through.

Paul Loffgren, Vice President of Regulatory Compliance and Governmental Affairs for Bally Gaming, responded to the discussion about Alliance Gaming saying that it is a public-traded company, a holding company, and doesn't really conduct any operations. Alliance is a diversified company that owns casinos in Mississippi and Nevada and some operations in Germany, so they have set it up in separate divisions. He said all of the operations that will be conducted here in the state of Washington will be through Bally Gaming, Inc., and it is their preference to have Bally Gaming, Inc. be the licensee because they're the ones that will do all of the manufacturing and distributing activities. He said it makes some difference when they go out and do finances and so forth to isolate approvals to the divisions that actually do the operations so it is their preference to have it under Bally Gaming, Inc. He said they have provided any information they wish about the company and they have common officers and directors within Bally Gaming and Alliance, so there is not much of a distinction between the two entities when it comes down to officers and directors.

Mr. Fleisher said this is in line with what they determined at the meeting last month regarding the situation with MultiMedia, which is a wholly owned subsidiary, but it is a separate legal entity. They license the entity that is actually doing the construction of the devices and so on. The background investigation goes to substantial interest holders of Bally, which included the parent and not only the parent company itself.

Chairperson McLaughlin asked for clarification on what the Commission approved at the last meeting and what they changed. **Commissioner Heavey** said they licensed a corporation as opposed to a corporation doing business as another corporation, which he felt was kind of a bizarre legal situation. He said he did not see any comparison. **Mr. Fleisher** said that initially last month they were going to license the parent rather than the subsidiary. After discussion with the assistant attorney general and other staff, it was determined that the proper way would be to license the subsidiary and not the parent company. This is consistent with that. **Mr. McCoy** said that was correct. What was discussed last time was that particular issue. **Chairperson McLaughlin** said that answer was satisfactory and **Commissioner Heavey** agreed.

Commissioner Heavey asked if Mr. Loffgren is familiar with the machine that will be constructed. **Mr. Loffgren** said yes. **Commissioner Heavey** asked if it had rotating reels. **Mr. Loffgren** said it is all video and it does have the appearance of reels spinning and there are three separate stops – three across. The machine can be played very quickly, within every 10 seconds or so. They are bringing in smart card technology, which would give credits and then the player would play the credits. It depends on the denomination of the game how many credits the player would use for each pull. **Commissioner Heavey** asked how the machine is different from a slot machine. **Mr. Loffgren** said it has a different screen on it and there are some slight variances, but players are unable to distinguish between the two. It plays a little bit slower – a couple seconds per play. He said it is an electronic gaming device. He said it's a complete lottery system and it is not a slot machine. **Commissioner Heavey** said he was trying to make a point that there was little difference between an electronic gaming device and slot machines.

Commissioner Ludwig moved to approve Bally Gaming's license as a Class B manufacturer. **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with four aye votes.*

KEM PLASTIC PLAYING CARDS, INC., Scranton, Pennsylvania

Mr. Westhoff said this organization has applied for licensure as a Class B manufacturer of playing cards. The company intends to manufacture and distribute cards to licensed distributors and operators as well as Class III gaming facilities in

Washington State. The organization is a wholly owned subsidiary of Parodi Industries. The parent applicant company's corporate offices are co-located in Scranton, Pennsylvania, where corporate and financial records are maintained. KEM's manufacturing facilities are located in Poughkeepsie, New York. Scott Ferrar of Seattle, Washington, is the company's registered agent. Employment was verified and personal background investigations were conducted on the listed officers and directors. KEM is a wholly owned subsidiary of Parodi Industries. Benevento and Mayo Partnership, which is wholly owned by the Charles Parente family, wholly owns Parodi Industries.

Mr. Westhoff said that Mr. Charles Parente owns 87 percent of Benevento and Mayo with the remaining ownership distributed amongst other family member in which no others have substantial interest. KEM currently holds a gambling license in New Jersey and vendor licenses with various tribal governments. Jurisdictions were contacted and the company was in good standing in all jurisdictions contacted. The onsite investigation began on March 22, 1999. The investigation included a review of personal and corporate records that did not reveal any information that would preclude the organization from licensure. A review of the manufacturing process was conducted and there were no indications of outside influence and no exceptions noted. Corporate records and manufacturing processes were reviewed to ensure compliance with Commission rules and no potential violations were noted. At the conclusion, Commission agents discussed Commission rules and the licensing process with the applicant. Based on the investigation, the staff recommends licensure of KEM Plastic Playing Cards as a Class B manufacturer. No one is present today to represent the company.

Commissioner Herbold moved to approve the application of KEM Plastic Playing Cards, Inc., as a licensed manufacturer to conduct business in the state of Washington. **Commissioner Heavey** seconded the motion.

Commissioner Ludwig wondered how complicated it was to trace all the ownership chain in this family. **Mr. Westhoff** said that with wholly-owned subsidiaries, tracking is easy through stock ownership records and, in this case, it was the same family and there was no shared ownership. All records as far as ownership were verified and there was no disqualifying information noted. **Commissioner Ludwig** asked if they only make playing cards. **Mr. Westhoff** said they sell playing cards and they also do catalog orders of playing cards for casinos and other purposes, for example, a company might want their own logo cards or something of that nature.

Vote taken; motion carried with four aye votes.

CARD ROOM CONTRACTS UNDER APPENDIX C – HOUSE-BANKED PILOT TEST

CHEF RESTAURANT, Spokane

Ms. Cass-Healy said this is a commercial restaurant, lounge, and card room located in Spokane, Washington. Vincent Picolo owns 50 percent and Dorothy Picolo, the other 50 percent. There is no previous history of participation in either Appendix B or Appendix C enhancement activities at the Chef Restaurant and the owner has no interest in any other card room. The Chef Restaurant is requesting approval to operate five tables -- four Blackjack and one Pai Gow Poker. The hours of operation will be from 2 p.m. until 10 a.m. daily. Special agents did review the internal controls and conducted preoperations inspections. It was determined the licensee's operations are in compliance with all requirements of Appendices B and C and their internal controls are functional as stated in the internal control submission. Approval to participate in the Gambling Commission's house banking card room test as a Level II, Phase 1 operation is recommended.

Commissioner Herbold said that, in light of the previous discussions at previous meetings concerning established businesses and commercial stimulants, she noted this operation was issued a Class E card room license in July of 1998. She wondered if they were operating as a restaurant and food/drink establishment prior to that or if it was in conjunction with getting that license. **Ms. Cass-Healy** said yes, they were established as a restaurant first.

Commissioner Ludwig moved to approve Chef Restaurant, Inc., to participate in the house-banked card room pilot program at Level II, Phase I. **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with four aye votes.*

GOLDIE'S CASINO, Shoreline

Ms. Cass-Healy said this establishment has not operated a card room for six months, but they did request and received a six-month waiver based upon the casino manager's experience. This experience includes more than six years of Washington gaming operations experience. Epstein Noriega, LLC, owns Goldie's Casino. Cynthia Noriega holds 6 percent, Robert Noriega holds 9 percent, Michael Preston with 9 percent, Sandra Epstein holds 35 percent and Goldie's Edmonds holds 41 percent of the ownership interest. Nadine Preston holds 100 percent of the ownership interest in Goldie's of Edmonds. None of the shareholders in Goldie's Shoreline Casino have an interest in any other card room in the test program. This organization is requesting approval to conduct house banked card games with 15 tables, including 7 house-

banked Blackjack, 3 Progressive Blackjack, 2 Let It Ride, 2 Caribbean Stud, and 1 Pai Gow Poker. The licensee's operating hours will be from 10 a.m. to 2 a.m. Special agents reviewed the internal controls and conducted the pre-operations inspection. Based upon that inspection, approval to participate in the Commission's house banked card room test program as a Level II, Phase I, operation is recommended.

Commissioner Ludwig asked if Goldie's of Edmonds is just a restaurant. **Ms. Cass-Healy** said she thinks they have a card room, but not in the house-banked test. She said she would verify that for him. Commissioner Ludwig asked if they might be licensed under Washington Blackjack or for some other type of card room. **Ms. Cass-Healy** said that was correct, as a Class E card room. **Commissioner Ludwig** asked how long Goldie's Shoreline Restaurant been in operation. **Ms. Cass-Healy** said she didn't know that, but that a representative of Goldie's might be able to answer that question.

Michael Preston said the restaurant has been in operation since June 1997. **Commissioner Ludwig** noted that was a full year before they applied for a card room license. **Mr. Preston** asked the other LLC members to introduce themselves. Robert Noriega, casino manager, Cynthia Noriega, shift manager, Nadine Preston, of Goldie's Shoreline Casino, and Sandy Epstein, who works there. **Chairperson McLaughlin** asked Mr. Preston if the name of the licensee was Epstein-Noriega and **Mr. Preston** said that was correct. **Chairperson McLaughlin** called attention to the fact that Sandy Epstein was a little more than just a worker there, since the name of the casino was Epstein-Noriega.

Commissioner Ludwig moved to approve to participate in the card room enhancement program under Appendix C.

Commissioner Heavey asked if Mr. Preston had appeared before the Gambling Commission in the past in connection with operation of the bingo game and if his license had been revoked. **Mr. Preston** said the license had been suspended because he had been the executive director of an organization where the bingo manager had been caught stealing. It was an elaborate scheme that he pointed out to his board and, as a license holder and responsible person, he did serve a six-month suspension of that bingo license when Commissioner Heavey was the chair of the Commission. He said he learned from the experience that, when someone is in charge of an organization, it is their responsibility to see to it that the internal controls are completely followed. **Commissioner Heavey** asked why this information was not disclosed to the Commission. **Ms. Cass-Healy** said that information was part of the agent's investigation. **Commissioner Heavey** asked why they did not think it was relevant to point this information out to the Commission. **Director Bishop** said Goldie's of Edmonds was licensed for punchboard and pull-tabs in 1995. They reviewed it extensively at that time and, based on the length of time and type of violation, the staff recommended that a punch board pull-tab license be issued at that point. Director Bishop decided it was an immaterial issue, since the organization had been licensed for pull-tabs for a period of three years.

Commissioner Herbold asked what the basis was for granting a waiver to the six-month operation requirement. **Director Bishop** said Mr. Noriega has worked in casinos and demonstrated experience. **Commissioner Ludwig** asked if there was a non-house banked card room at Goldie's of Edmonds. **Mr. Preston** said yes. **Commissioner Ludwig** asked if that was where Mrs. Noriega's experience and background was developed, and if there were other people from that licensed establishment ready to work at Goldie's Shoreline. **Ms. Cass-Healy** said Mr. Robert Noriega has several years of gaming experience both in Nevada and in Washington with the tribes, with the Great Wall, and with Freddie's Club. His wife, Cynthia Noriega, has extensive gaming experience both in Nevada and with the Emerald Queen Casino.

Commissioner Ludwig said he made a motion that Goldie's at Shoreline be approved to participate in the house banked card room pilot program at Level II, Phase I. **Commissioner Herbold** seconded the motion. **Commissioner Herbold** added that, because she is relatively new to the Commission, she would appreciate if the staff would provide historical information in the future such as what was just revealed about Mr. Preston's license being suspended in the past. She said such historical information is important to her.

Commissioner Heavey said he remembered a time when the Commission went through a long hearing about somebody who had lied on his application about some previous conviction that had taken place sometime in the past when he was in Las Vegas, but he wanted a license and the Commission turned him down cold. Commissioner Heavey was deeply concerned and dismayed that the staff thought this type of information was irrelevant to the commissioners. **Ms. Cass-Healy** said she didn't mean to imply the information was "irrelevant." What she meant to imply was that information was looked at during the licensing process and weighed at time. She said that type of information will be put into the reports in the future. **Commissioner Heavey** said at the time they license people for punchboards and pull-tabs they don't go through the same kind of public discussion and disclosure about the people that are involved. He said that in this particular activity, Nadine Preston and not Michael Preston is the owner of Goldie's of Edmonds and he assumed there is a reason for that and he was appalled, particularly when a previous individual who had lied to the Commission about his past had been denied a license.

Vote taken; motion carried with three aye votes; Commissioner Heavey abstained from voting.

RASCALS CASINO, Seattle

Ms. Cass-Healy said Rascals Casino is a commercial restaurant, lounge, and card room located in Seattle. It is owned by Rascals, Inc., which consists of president, primary manager and 100 percent stockholder, Joseph Colello. Rascals was approved for a waiver of the six-month operating experience on April 9, 1999. It was determined the management had adequate knowledge of Washington State gaming laws and rules. Rascals is requesting approval to conduct house-banked card games with 15 tables, including 10 house-banked Blackjack, 1 Progressive Blackjack, 1 Let It Ride table, 1 Caribbean Stud table, 1 Pai Gow poker, and 1 Spanish 21. Special agents reviewed the internal controls and conducted the pre-operation inspection. Based on the review, approval to participate in the Commission's house banking card room test as a Level II, Phase II operation is recommended. **Joe Colello** said he is the owner of Rascal's and said he's been there since the restaurant was built 14 years ago.

Commissioner Ludwig asked him to explain what his previous knowledge and experience was that would justify his obtaining the six-month waiver. **Mr. Colello** said Royal Casino is his service supplier, which has extensive service. Mr. Lou Calabrese is vice president and general manager of operations.

Senator Prentice said she is familiar with Rascal's because she has often eaten at his restaurant. She said this is number eight in her district of the mini casinos and she often visits them unannounced and she looks around and makes her own assessment which she freely conveys to the audience. She said they need the production of those kinds of jobs in that part of town.

Mr. Colello thanked the staff for helping him through the process. Someone from the audience said he wanted to point out that Rascal Casino's first night of operation is being donated to charity, King County 9-1-1. **Chairperson McLaughlin** called attention to the fact Chris Kealy donated three tables at his operation's (Jimmy G's of Tacoma) opening day and raised \$16,000 for nine charities in Pierce County.

Commissioner Ludwig moved to approve the application of the Rascal's Casino to participate in the house-banked program as a Level II, Phase I, operation. **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with four aye votes.*

HOUSE-BANKED PILOT TEST – PHASE II REVIEWS

DOUBLE DOWN SALOON, LaCenter

Ms. Cass-Healy said the Double Down Saloon is a restaurant, bar, and card room located in LaCenter, Washington. Michel's Development LLC became a sole owner of Cactus Jack's, now called the Double Down, on August 4, 1998. Ruth Michels owns 100 percent of the stock of Michels Development LLD. Michels also owns The Palace in LaCenter, which was approved for house banking in April of 1998. Michels also has service supplier contracts to manage the card room operations for other house banked games, although they currently have no ownership interests in these games. The Double Down began conducting house-banked games on October 13, 1998. The licensee is currently operating 13 tables consisting of 4 Blackjack, 3 Let It Ride, 1 Caribbean Stud, 1 Pai Gow and 4 Progressive Blackjack. The staff conducted a thorough review of the card rooms, including review and observation of the gaming operation itself, review of the closed circuit television system, review of the cashier's cage, gaming and organizational records, inquiries of law enforcement and taxing authorities, review of the count room controls, and review of key controls. On April 8, 1999, an exit conference was conducted and the licensee was cooperative and agreed to make recommended changes and correct any violations identified by the review team. The staff recommend approval for Level II, Phase II, status for the Double Down.

Commissioner Herbold asked when this went into the Phase I level of operation. **Ms. Cass-Healy** said October 13, 1998, so they're just at six months. **Commissioner Herbold** asked how the violations noted compare to other reviews as to severity of violation. **Ms. Cass-Healy** said there were fewer violations in this review than they have seen in the past. **Commissioner Herbold** wondered about the severity of the type of violation – not putting restrictive endorsements on checks or phone numbers and so forth. **Ms. Cass-Healy** said a couple of them are fairly typical and once they've been corrected, usually the licensee will be fine. The other two had to do with the procedural items in the internal controls and what they try to do is ensure that those are corrected. Then, when they do the monitoring, they ensure that they are still following proper procedures. As far as severity, the staff is quite comfortable with where they are right now. **Commissioner Herbold** asked what happens when they find that violations are happening again. **Ms. Cass-Healy** said at that point the administrative system would kick in and they would work with them. They might give a verbal warning and, depending upon

how severe it is, they might go to a warning letter. If it's very severe or occurs frequently, they might go to charges and eventually they may come before the Commission. **Commissioner Herbold** asked if that had happened to any of the operators that are in the house-banked program. **Ms. Cass-Healy** said there was one that was headed that direction but they left on their own.

Commissioner Ludwig asked if this is one of the better Phase II reviews and reports that they have seen. **Ms. Cass-Healy** said yes.

Roland Waters, General Manager, introduced Peter Erb, security and surveillance, Pat Jutz, casino manager, Tom Frank, assistant who is second in command, and Bob Branam, internal auditor, and Bruce Meyer, Michel's Development.

Commissioner Ludwig moved that the licensee be approved for implementation of Level II, Phase II operation.

Commissioner Heavey seconded the motion. **Commissioner Ludwig** asked if it should be effective today. **Ms. Cass-Healy** said yes. *Vote taken; motion carried with four aye votes.*

FIESTA BOWLING CENTER RESTAURANT, Richland

Ms. Cass-Healy said that Mark Frank and his father Leo Frank, through Frank and Frank partnership, own Fiesta Bowling Center and Restaurant. They also own three other bowling centers; however, they do not own any other card rooms in the state of Washington. On November 12, 1998, the licensee began house-banked gaming. They are currently operating 9 tables, including 6 Blackjack, 2 Progressive Blackjack, and 1 Let It Ride. The staff performed a comprehensive review of the card room operations. Procedures were performed as set out in the previous report. An exit conference was conducted on March 30, 1999, and the licensee was cooperative and agreed to make all necessary changes. Based on follow-up inspections, all violations were corrected and the staff recommends approval for Level II, Phase II, status.

Commissioner Ludwig asked if this is about as good as the Phase II reviews get. **Ms. Cass-Healy** said this is more typical of what they find, but the staff is certainly comfortable with this. **Mark Frank**, managing partner, introduced himself to the audience.

Commissioner Ludwig moved that the licensee be approved for implementation of Level II, Phase II. **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with four aye votes.*

PROBLEM GAMBLING COUNCIL

Chairperson McLaughlin read a letter to the Washington State Council on Problem Gambling from the Muckleshoot Gaming Commission, which awarded a grant of \$20,000 to assist in the development of production of a video presentation on problem gambling.

Chairperson McLaughlin called for a recess at 3 p.m. prior to the discussion of the Governor's letter.

Chairperson McLaughlin called the meeting back to order at 3:15 p.m.

GOVERNOR'S REQUEST FOR A MORATORIUM

Commissioner Ludwig said that he felt the best way to get the discussion started would be by laying a motion on the table. He said he would like to do that primarily because, at the last meeting and out of some frustration, he made some comments after Mr. Vito Chiechi commented on the permanent rules and suggested that maybe the process be slowed down a little. Since that time he has been thinking about Mr. Chiechi's suggestion, which was followed about a week later by the Governor's letter, which prompted even more consideration. He said he thought about it enough to make a motion.

Commissioner Ludwig moved to continue the pilot program and defer any action on permanent rules until March 2000.

Commissioner Heavey asked if he is talking about continuing operation under the temporary rules. **Commissioner Ludwig** said March may or may not be soon enough, but he thought they could hope that it will be soon enough and if it is not, it can always be moved further. Speaking to the motion, the most compelling reason to slow down just a little bit and spend further time on it is what he heard earlier in the day in the study group meeting. They were talking about the staff situation and the pressure and stress they've been under for at least the last year trying to process these things as fast as they could. He heard comments about inconsistencies and almost being treated like a moving target. He said if they

continue the pilot program, and the permanent rules discussion is deferred until March or April of next year -- if that's appropriate -- then it will give the staff more time and will give the licensees more time to adjust. It will also give applicants a better understanding of what they can expect so far as approval of their application.

Chairperson McLaughlin said that, as she's discussed this with various commissioners and the staff members, there are some things in the permanent rules that would be helpful to include in the test program, such as internal controls and that type of thing. She asked Director Bishop to speak to the items that he thought would be important to be in the test program at this time that haven't been or changes.

Director Bishop said Ms. Winslow had discussed in a memorandum some of the changes that the staff would like to look at making. The internal control review process is still being worked on. Mr. Balam offered alternative procedures, the staff had an alternative, and additional time would give them an opportunity to actually go out and implement these and find out what works best. In the budget request, extra FTEs were requested to allow them to implement these. It may be more economical for the licensees to do it themselves. That is one thing the pilot program would specifically allow them to do.

Chairperson McLaughlin asked if that would have to be included in a motion or if that would be just something the director could do. **Director Bishop** said that under the pilot program, the modifications to the contract that cover these things are allowed under the current rule -- the pilot program rule. They would send out notice of an amendment to the contract to the licensees saying, "Here are the procedures." He said Chairperson McLaughlin would not have to direct that, but they would appreciate if she would and that would place more weight rather than having protesting at the next meeting. The director was given that authority under the pilot program rules to make immaterial changes to the rules to get things going. He said Ms. Winslow has a list of several things the staff would like to see and they are covered by the permanent rules. Instead of going to permanent rules, they would go ahead and implement those specific things.

Ms. Winslow said the items the staff thought could be included in the test program would establish the fees that are outlined in the current card room rules package within the card room test program. That way, they can test those fees during the period of the test, if it is extended. They can also see if the fees are reasonable and if they fit what is needed to regulate the program. In addition, they talked about limiting the PSJ wagers to one dollar, similar to what's in the rule proposal.

Chairperson McLaughlin asked if player supported jackpots (PSJs) are part of house banked games. **Ms. Winslow** said they are but it would be within the test program that they would be adding that. She said that was currently what most of the PSJs are wagered at right now. **Chairperson McLaughlin** asked if that was similar to a Let It Ride game where the player puts the dollar down the slot. **Ms. Winslow** said that is a bonus bet as opposed to a PSJ, but very similar. **Ms. Winslow** said limiting the authorized games, particularly Baccarat and Red Dog, was something that was discussed because the director had pointed out that this doesn't fit the games that they had originally envisioned for the test program because of the ways that those games are played. Again, this was testing the internal control rule. One thing which is more of a policy issue but it did seem to be an issue that was a concern of the Commission which was testing this seven players and seven wagering spots could be enveloped into the program. Chairperson McLaughlin asked about the discussion about doing away with the tile games. **Ms. Winslow** said that was actually part of the rule package that the staff would recommend the Commission consider adopting and there are actually two rules within the card room rules package that they recommend they continue to take action on tomorrow and those are the authorized game rule which eliminates Mah-jongg, Pai Gow Poker, and Dominos. The reason that the staff recommend that that continue to go forward is because those three games are actually not card games, they're tile games, and they do not fit the definition of a card game. The other one is the last rule in the card room package and that includes lease rentals and license agreements and right now, the staff are operating in the field some of the people that are leasing and renting activities in the card rooms and in the bingo activity aren't necessarily conforming with existing rules and this is basically a house keeping rule which they recommend going forward.

Director Bishop said Pai Gow Poker is not a tile game, but a house banked card game and the staff is proposing that it be removed from the approved poker-type games list. Pai Gow poker is allowed under the test as a house banked game.

Chairperson McLaughlin asked if it is difficult when new games are proposed when they are in a test program. **Ms. Winslow** said it does take up the staff time to review the games and then in addition to that, they must spend time reviewing the manufacturers of those games so that is another area that if they were trying to place any limits, that would be something that the staff would be interested in having the commissioners look at.

Commissioner Heavey asked how long she anticipates it will take to get answers to the operational questions. **Director Bishop** said six months, easily, maybe eight. **Ms. Winslow** said it takes a long time to get people trained to change the way that they are operating and then they have to get reports back from not only the operators, but making sure the staff is trained as they heard earlier in the day, there were some inconsistencies and those are the types of things that they expect to see with a test program because everybody's learning -- not only the licensees, but the staff. So, on top of that, they would have to get reports back, summarize those, get those to the commission, so it is time consuming. She said it could be done faster, but they might not have as much to report. **Commissioner Heavey** said he asked that question because this seems

to be a very pressing problem that has almost reached emergency status and the Legislature is going into special session next week and they could fix this problem very quickly by passing the appropriate legislation either a moratorium or to repeal the legislation or amend it. He said if it is such an emergency problem, it would appear that the majority of the Legislature would want to address the issue. He said he didn't see why they had to delay to next March. He suggested extending the program to October, which would give the staff adequate time to review it, the Legislature will have had the opportunity to do what they want to do. He doesn't understand the reason for such a lengthy delay and why the people in the gaming industry should be held in suspense for all this period of time waiting for the other shoe to fall. **Commissioner Heavey** said this is a discussion point and he will not be the deciding vote on any of these issues. He said he is only making the comment based upon his experience as a member of the Commission and a member of a legislative body for a number of years. He said they can move rapidly if they think it's important enough and it's all there. The issue is in front of them and has been for 105 days and now they have a week to 10 days to do something about it.

Representative Schmidt said she hoped not to spend 10 days in Olympia and she didn't think Senator Prentice or Senator Winsley is too anxious to do it and she didn't think the Legislature does know where it's going at this point on this issue. She said she didn't hear the full motion, but a moratorium of any kind extends to March will then go past the next regular legislative session and it would not be in sync if there are some decisions to come out of this test program, it should be a recommendation from the Commission to the Legislature prior to their meeting, not after.

Chairperson McLaughlin said they were thinking that they would hear what came out of the legislative session in January, but maybe they should make this a recommendation to the Legislature.

Representative Schmidt said Senator Winsley is having her first meeting here and one of the comments she made was this is lot more complex than people realize and the legislators really do not understand how complex this entire issue is unless they have had the opportunity of serving on this panel or if the hearings had been followed and the real expertise really should come from the Gambling Commission and the members that have been chosen to make those recommendation and she thought that whether they were followed or not, at least there are some understanding why those recommendations are made because it's done by the people who deal with it closely – not with people who have a very distant view of “Well, this is a casino and they play cards there.” And for many of them, that is the extent of what they know about it. She said she would be concerned during the moratorium period if it impacts adversely those who have already made a financial commitment and thought they knew the rules. There are people who have made good faith effort with the rules that were in place as they knew them at the time and to radically change the rules at this point in time may not be a good faith effort. She said that perhaps not wishing to expand beyond what is in place now allowing the rules – going to the secondary level – that was always anticipated by the people who have made this financial commitment and there should be a good faith effort by this group to follow through on that. If they want to restrict new entries until such time as there are permanent rules is one issue, but to do it she would be very troubled to change the rules midstream when people have made a significant investment.

Chairperson McLaughlin said the Commission would not be changing the rules mid-stream. What they are talking about is some operational regulations that were in the permanent rules that would be helpful for them to have. They're not policy issues that Commission has the only authority to do. **Representative Schmidt** said if they were going to establish a moratorium, it should be very clear what it includes and what it does not include. **Chairperson McLaughlin** said that was what they were trying to do in bringing it out right now.

Commissioner Ludwig said he did not intend, in any way, for his motion to be a moratorium of any kind. He said it was just extending the pilot program, letting those applicants that are already on the list proceed. He said they will not get to all of those applicants by March anyhow. The list is already cut off, and even if they doubled up a little bit, they would not exhaust that list by the March meeting.

Chairperson McLaughlin said the Commission has been discussing an extension of the pilot program and that was his motion and then they discussed what might be in it to make it easier for the staff because they have been in the pilot program for a long time and thinking that the permanent rules would be voted on this particular commission meeting, they probably kept quiet about a few things, but if it continues for another year, they need to have some things brought up and one of the things were the internal controls.

Commissioner Heavey said the Commission has not issued a report to the Legislature making recommendations for legislation. It has always been the Commission's position that they do not do that, but his assumption is that if the Legislature requested the Gambling Commission to make a report, they would do it. **Representative Schmidt** said the Commission had made recommendations. **Commissioner Heavey** said they had one and it was vetoed. He said the Commission has always taken a firm position it does not establish policy. He said it was humorous to him that if the Commission would recommend policy, then the Legislature may or may not follow it. **Representative Schmidt** said that if they did disagree with the recommendation made by the Commission, at least there would be a basis with recommendations

coming out of the people who study the issue closely. That is what she was suggesting rather than blindly looking at this whole issue. It is much more complex than what the Legislature is willing to sit and do, even in an interim or during a 60-day session.

Commissioner Ludwig said it might help to clarify just a little bit what they will be doing. He asked if an annual report would be made to the Legislature. **Director Bishop** said that law was changed several years ago regarding mandated annual reports. He said he thought the Commission still could make a report and recommendation, but it is not mandatory. He said the staff would do an annual report if the Commission wants the staff to do one on this issue. He imagined that this would be a report from the Commission. That means it would have to be done by October, which would be the last meeting that the Commission could possibly act on it before the legislative session begins. **Commissioner Ludwig** said he was referring to a staff report.

Mr. Fleisher said there are periodic reports – the quarterly activity and yearly activity reports. He said that even if they do a report like the one completed last year on the test program, which was a staff-level report, it is going to be pretty much the numbers and the findings they found from the various studying they have done. But if it's recommendations to the Legislature, they would probably need another month to do that so they could present the data and information to the Commission in October. They could discuss where they wanted to go and adopt a report in November, unless they were going to add a December meeting. **Commissioner Ludwig** said he wasn't talking about giving a recommendation, but just data and information on card room programs.

Commissioner Herbold asked, if the pilot program is extended, does that mean doing so with the existing rules via the appendix or appendice, or does that mean incorporating into a new appendix those permanent rules that the Commission has been considering over these past several months? Those rules took into account things that have been learned to date in the pilot program, with the exception of the permanent rules that the staff would want the Commission to consider enacting that the staff set forth. And then the Commission would be testing some additional concepts like the PSJ wager limited to a dollar, seven players/seven spots. **Ms. Winslow** said that, if the Commission decides to extend the test program, all the operational regulatory-focused rules be allowed to be carried forward into the test program as an addenda to appendix C, so the staff uses those as the operating guidelines for the test program. That gives the staff an opportunity to see how those rules work – whether they meet the staff needs to have adequate control over the house-banked activity. **Commissioner Ludwig** said his understanding is that the staff doesn't need action by the Commission to do that in the pilot program. **Ms. Winslow** said that was correct.

Commissioner Herbold asked, if the goal is to slow down the gambling or the introduction of new card rooms, how is that achieved any differently by carrying forward the pilot program and directing the staff not to bring forward more than X number of new licensees per month versus enacting the permanent rules and directing the staff not to bring forward any more than X licensees per month? **Commissioner Ludwig** said that he had the impression from the Governor's letter that it was a slowdown, not just on licenses or card rooms, but a slowdown on rulemaking programs and changes that might impact the industry as a whole. He recalled that was Mr. Chiechi's suggestion last month – go a little bit slower on these rule changes so that that mistakes aren't made or run afoul of what the Legislature might do.

Chairperson McLaughlin said that it was her understanding that the RCW says that the Commission can't do anything to limit the number of licenses, and the only way it could be done is by keeping the test program going. She asked Mr. McCoy if she understood that correctly. **Mr. McCoy** said it was not quite that stark. The language is, "The Commission shall not deny a license to an otherwise qualified applicant in an effort to limit the number of licenses to be issued," which is a little more subtle application. **Commissioner Heavey** said resources could be allocated in such a manner that only so many applicants can be brought forward because the Commission wants the staff to work on other things such as adopting the rules, working on the tests, doing the appropriate analysis, etc. That's not limiting the number of licenses; it's simply saying that's the way the Commission is going to allocate its resources. **Mr. McCoy** said there was also a distinction to be made between the pilot program and the permanent rules. Under the permanent rules, there would be no end number of licenses, per se. The Commission has already taken action with the pilot program by essentially setting the number of licensees that may participate by the people who are already on the list. But technically, the only people who are participating in the pilot program are those people who already have a contract. The Commission has taken into consideration that there are investments being made based on the representations of the Commission, but they're not technically part of the pilot program. So there is authority specifically to limit the number of licensees in the pilot program – that's an explicit authority of the Gambling Commission.

Commissioner Heavey said that at some point, the pilot program has to come to an end, so the question that Commissioner Herbold asked could be responded to with, "Well, this is the pilot program; we can limit the number of people participating in the pilot program," but it really doesn't address that issue. The question that she asked is, "What's the difference between adopting permanent rules and saying, 'allocate your resources in such a way that we don't get any more than two licenses per month to consider.' What's the difference between that and continuing the test program until next

March and say the Commission will only consider two a month?" **Mr. McCoy** said that the answer to that, from his perspective, is only that there is a limit already set in the pilot program as to how many applicants are going to be allowed. **Commissioner Ludwig** asked Ms. Winslow if he was incorrect when he said earlier that even if efforts were increased, that list probably wouldn't be exhausted before March anyhow. He said that the idea of setting a limit is kind of a moot issue. They would not make it. **Ms. Winslow** said that was correct; however, if the Commission does enact the rules, that does as Mr. McCoy pointed out, open up the list so that there can be more people that as they go through the list, some people aren't ready. The staff have actually moved down to the bottom of the list because people at the top aren't necessarily ready so that that additional people would have an opportunity to participate that currently don't because of the test having been limited.

Chairperson McLaughlin said that if the test program that has been limited reached its end – people pulled out or something – the Commission has the right to open it up even slightly to take in more people if that's necessary. She asked if there was any reason – and she recognized what Ms. Herbold was saying – that the Commission should keep it in a test program status that the staff knows about that perhaps the Commission doesn't know about. **Commissioner Herbold** said she would like to suggest a reason. One thing that was not mentioned is that, if the Commission extends the pilot program, does it make sense to, during this second phase, try the concept of a maximum 10 tables and maximum \$50 wagering limits so that during that second phase, they are gathering statistical data that at the end of the pilot program they can compare the economic impact. So that is another possibility. That would be the only reason she could see for extending the pilot program if they are going to get some statistical data in the process. **Chairperson McLaughlin** asked if there was any reason, other than the commissioners having a feeling that this would be the only reason to continue the test program, is there one that the staff sees that would be of value to keep it in test status? **Director Bishop** said he doesn't see where it really matters. If the commissioners were to direct the staff to allocate their resources to monitor those licensees in the program and to review new applicants when time allows, new locations will be limited during the next year. New staff cannot be hired and trained fast enough to handle 80 or 120 of these types of businesses over the short term. The issue that Commissioner Herbold brought up is a policy issue and has no impact on the staff, per se.

Chairperson McLaughlin reminded the Commission there is a motion on the table saying to continue the test program for a various amount of time, perhaps March or April. She asked if there were a different ending date now. **Commissioner Ludwig** said Senator Schmidt said that by the March meeting they would know what, if anything, the Legislature might have done. **Representative Schmidt** said the Legislature has a 60-day session, and they're going to be looking at what the response is to this and probably some input whether they need consider anything or whether it's all being handled here, but she thought that would probably take place before March.

Chairperson McLaughlin asked Commissioner Ludwig if he cared to modify his motion. **Commissioner Ludwig** said it could be reviewed in March and if they weren't ready, they could kick it over a month. Chairperson McLaughlin said they could review it prior to March. He was amenable to that or later but it really did not matter because they would be reviewing it regularly anyhow at least individually if not as a group.

Commissioner Heavey said the only way house banked card games with 15 tables is not going to happen is if the Legislature repeals the legislation. It doesn't make any difference whether they have temporary rules or permanent rules. If they decide next session or in the special session that they don't want to have mini casinos, as they are called but they're really enhanced card rooms, if they don't want mini casinos, they'll solve the problem – they'll repeal the legislation. If local government doesn't want enhanced card rooms, they can solve the problem. They don't need a moratorium; all they have to do is ban card rooms. He said he does not understand what's happening. If the Commission says, "Adopt permanent rules, allocate your resources in such a way we're not faced with more than two of these" it seems to him like they have slowed it down, they've given the staff an opportunity to allocate their resources, and ask them some of these questions, and make those changes that they need, and go along. And then if the Legislature doesn't like it, then the only thing they can do is change the legislation. Unless they do it, the Commission is carrying out their legislative mandate to the best of their ability. And if they say "Oh well, we see the social implications; we don't like those social implications, so therefore we're going to change it." All the rest of this seems to him to be showmanship.

Chairperson McLaughlin called attention to the motion on the floor and encouraged audience participation on both points of view. She said the motion had not been seconded. **Commissioner Heavey** seconded the motion. He said it didn't mean he was going to vote for it, but he just wanted to second the motion to get it going.

Commissioner Herbold said that, in order have discussion on all of the points made previously, she asked if it were procedurally correct to amend the motion to state that if and when the Commission extends the pilot program, that they have the 10 tables in it and the \$50 wager limit. **Chairperson McLaughlin** said that if a motion to amend were made, she would have to call for a vote on the previous motion before there was a chance to discuss it. She would prefer to open this up to audience for testimony before any amendment to the motion was made.

PUBLIC TESTIMONY

Gary Murray, Wizards Restaurant, said there are three issues on the floor. One is the limit on the number of tables if there is an extension of the test program. He said there was plenty of evidence that showed the difference in revenues with smaller numbers of tables. There are rooms with less than 15 tables in business now and that can be compared to those with 15-table operations. There is evidence that shows there is a difference between a \$25 limit and \$100 limit. He said he agreed with Commissioner Heavey that there seems to be little point in extending the pilot program if they limit it two Phase I's, or one or whatever. As long as the Commission has a standardized amount that they go forward with, they have done their duty as far as that's concerned. If the Legislature wishes to change the rules and the laws they granted when a level playing was asked for many years ago and he told them the industry is failing, they will direct the Commission to do so at that point. There is very little need to extend the test program because rules and regulations can always be amended as they see that it is necessary to change those and make it a better industry.

Chris Kealy, Jimmy G's of Tacoma, said the two speakers had polarized the same issue. One agrees with Mr. Heavey that it's time to get along with the permanent rules, but he agrees with Commissioner Ludwig in that a postponement of adoption of the permanent rules might be necessary at this time. What is often forgotten is the \$10 million in taxes, the \$80 million in payroll, the \$150 million worth of investments that people have made, which as a return on capital \$10 million per \$150 million investment doesn't actually represent the best return on capital out there. People's eyes are becoming wide open to that fact. This is not that easy and it has started a slowdown on its own. And it has been slowed by the Commission's ability to measure and monitor and control it. They're not going to approve things they can't control and they've measured that response fairly well. He said he is getting the chance to meet with local people and talk to them about what this is in their community. The City of Lakewood has put a moratorium on the expansion of card rooms in their area because they're not sure what they have. He's had visits at his card room since it opened. The mayor, the assistant deputy mayor, and other various public officials have been coming through and touring the facility. They see the impact of the facility in the community through traffic mitigation, through control of criminal activity, through the tax resources it's providing and jobs, and through a presence in an area of Tacoma that otherwise wouldn't have anything going on -- a restaurant that would not have been built there had this inducement not been on the table and an investment in that area -- so they're enjoying that. They're thinking that they've done something fairly worthwhile. He said from talking to his local legislators that some of the burden shifted to the Commission to say that the Commission is still looking at this program. What this is doing is keeping them from having a knee jerk reaction to any specific proposal that may or may not have such a large impact. He said a 10-table/\$50 limit is going to be a huge impact on some of these facilities. That kind of reaction to slow it down by changing the rules so dramatically that the income stream and performance that have been laid out there are radically altered will really be a disruption. He has six months to get to the \$100 limit -- perhaps, based on the review process -- and a year or two to work through the process of becoming part of the community, and a little more time to get a look at what they are doing would be appreciated by his industry.

Tom Humphrey, Michels Development Company, said he supports the motion to continue and that this particular motion is something the Commission should adopt. They clearly support the continuation of the pilot program and deferment of action on the permanent rules until the Legislature has had the opportunity to give further consideration to some of the policy issues that were raised in the pilot study report and which have also been raised by members of the Commission. Policy issues concerning the scope of gaming, betting limits and those kinds of things. He pointed out that the Commission has already taken substantial steps for which it has not received credit to put restrictions on the number of card rooms under the enhancement program. For example, by the way these programs are scheduled, they have controlled the growth of the enhanced card room program. They have also imposed a fee structure, which had the effect of weeding out any number of applicants. In addition, the Commission closed the list. He thinks the Commission has gone a long way toward addressing the Governor's concern about the so-called proliferation of the enhanced card room programs by actions already taken. He said if they continue the pilot program, and they continue the manner in which they have been approving the enhanced card room applications, by the time the Legislature convenes next year, they will have not exceeded the total number of card rooms that existed when the enhanced card program was first started. In other words, there were approximately 110 card rooms when the enhancement program started; there are now 87. If the Commission continues approving two or three a month, they will not exceed that 110 number. He said he thought that was significant to note that particular fact. The approach of the Commission is not going to result in a net increase in card rooms over what existed when the program initially started. Growth is controlled by the application process and the mechanisms they have already imposed that growth has been limited. With reference to the rules from their perspective, they think that there are legitimate reasons for adopting the rules that the staff has proposed that based on regulatory concerns. From an operator's standpoint, they support the concept of adopting rules that are going to protect the integrity of the gaming program and continue to develop the public's confidence that this program is being run in a manner that protects their best interests. He said he encourages the Commission to adopt those rules that do have a legitimate regulatory basis. Finally, they also support the proposal that the pilot project rules include the limitation on the number of spots on the Blackjack tables. The rules were first adopted and the Legislature acted. They authorized 15 tables and they believe that there's a legitimate reason for keeping the number of spots on the table at seven. That reason is simply that that is the standard and norm in the industry and if the number of

spots are increased it has the net effect of increasing the number of tables and they do not think that's what the Legislature intended.

Commissioner Heavey pointed out that Mr. Humphrey testified that there were 110 card rooms in existence at the time of the enhancement program, which is 550 tables. If 87 is multiplied by 15, which is now the number of tables, that's 1,305 tables. He said that was a significant difference in the number of tables and it may not be a significant difference in the number of card rooms, but it is a significant number in the number of tables. **Mr. Humphrey** responded that not every card room that operates under the enhancement program has 15 tables. He said there would be far fewer than the number suggests if they were counted up, but he did not know the exact number and he suspected that there would probably be more than when the program first started. **Commissioner Heavey** said he had answered his question.

Bob Tull, attorney for the Recreational Gaming Association, said the group has provided the Commission with a letter signed by Vito Chiechi that is in support of the motion made by Commissioner Ludwig. He said the RGA would prefer to have already completed the permanent rulemaking process to have everyone happy, to everyone resolved to be working on maintaining of good relationships in all the cities and counties where card rooms are located. He said that work would continue, but in the meantime, if it is the opinion of Commission staff that they would prefer to stay in the test mode longer and if it's against a backdrop where the number of card rooms is not going to be significantly affected because it's a staff-capacity-driven pace to begin with, then the RGA believes that continuing the program is the fairest thing. He said the Commission should start looking at some of the peripheral issues as soon as possible. The RGA stands in support of the motion. He said with the staff incorporation of new appendix-type of corrections, it keeps the program at the high level of regulatory control that the Commission has always intended and that the industry supports.

Commissioner Heavey said the staff, in response to a question by Chairperson McLaughlin about what the advantages were to continuing in the test program, she received no response. **Mr. Tull** said he thinks back to the beginning of the enhanced card room program – not the player-supported part because he wasn't involved particularly -- but when the 1997 Legislature made the changes, one of the things the Commission discussed was how to initiate the rulemaking process. At first, the staff said no changes until permanent rules are in place and the industry suggested, "No, let's use the new sections of the APA, which allow the agency to change the rules as circumstances dictate." Thus, the contract formulation came along so that if Director Bishop and his staff noticed some sort of problem in the field, they don't have to wait 60 or 90 or 120 days to make a rule change. They've been doing so with contract amendments and they've made a couple of key changes along the way. Ms. Winslow has indicated that some of the things that they now want to adjust they can do in that fashion. Perhaps the permanent rules could contain some of that same familiarity, but eventually have to become a little bit more bureaucratic. During the test mode, they have more flexibility because of the staffing problems, the learning curve issues, and just the general growth issue. He said maybe it all comes together as they've suggested to better operate for the time being as a continuation of the test. He said flexibility for adapting the regulatory process is a reason for continuing the test. There is a faster response on the part of the staff because they don't have to go completely through a rulemaking process.

Commissioner Heavey asked how staffing-up fits in with the adoption of permanent rules. He's having difficulty determining what's going to be accomplished by continuing the test program rather than just adopting permanent rules and moving on. The staff has not indicated, in response to Chairperson McLaughlin's question, what the advantage is of continuing the test program; they didn't respond and apparently they don't know of any. **Mr. Tull** said he personally believed that the commissioners could make that choice. He said he thought that the RGA's position at this time is that it will not be a problem to continue the test program. He said if that is the staff's expressed preference, and if the program continues fairly, and if it's not going to have a new impact on those in the community who would like to do this business, then the RGA wants to, as always, be part of a small system where to the extent possible the industry works cooperatively with the Commission and with its staff.

Ken McCoy said he is in support of the Commission. He has several reservations about extension of the test program period for fear that it might ex post fictively be a way of precluding additional expansion based not on merit, but on someone's position on the list that was established in September by those who rushed forward to post the \$10,000 and occupy a place on the list. The Gambling Commission has indicated that the staff has been forced to leap frog those individuals and move around through the list in search of some who actually have a firm proposal and is prepared to move forward. His area is Stevenson in Skamania County, where there is a 12.5 percent unemployment rate with a tier 3 level economic rating by the federal government and the state which indicates that it should be specially allowed to do those kinds of activities that are in support of job creation. Skamania County and Stevenson now realize that tourism is their primary mode, since logging and fishing are no longer a viable income stream. He said he is a native Washingtonian who has not rushed to accept and take positions in the industry within the state of Washington, like a considerable number of out-of-staters have done. He said he has watched the industry go from where all the forms were in-house and self-generated to where now it is much more stable program that allows the rules to be adopted at this point as scheduled for the enhanced program to become no longer a test program but the program is in place at this time and simply a degree of trying to allow the program to continue for up to another year is a safe position considering the Legislature and their concerns and the

Governor's. He said the Commission and the Legislature can always readdress this issue and he encouraged the Commission to move forward with declaring the test program at end and implementing the staff's administrative rules as in place at this time.

Chairperson McLaughlin pointed out that many people think that, if the permanent rules came in, they would be able to get on the list and get their license. She said it is no panacea and will take a long time before that person who isn't on the list gets looked at. **Mr. Ken McCoy** said that was one of his concerns and he understands the problem and as he had indicated it was just an attempt that might ex post fictively limit the participation because the enhanced program is extended another year. He said that, at a minimum, he encouraged the Commission to adopt a review in September.

Senator Winsley asked if local governments have a right to establish moratoriums. She said that the fact sheet said that as of April 23, there were eight cities that had imposed moratoriums. But if no one challenges this, how does that bump someone who's been approved by this Commission? **Chairperson McLaughlin** said that almost all the moratoriums grandfather in the existing enhanced card rooms or mini casinos. She said someone would take them to court.

David Duremes said he supports continuing the pilot program. He said one thing that had not been looked at was the economics. As a casino developer he looks at the incomes and expenses and it's obvious to him that during any one quarter, most of the casino operations required \$500,000 to \$750,000 per quarter in overhead for wages and rent and the other operating expenses. There are, today, only 17 establishments making above \$500,000 and only 11 make more than \$750,000 as far as win. He said \$750,000 is about the threshold for break-even. He said there were a few exceptions such as a commercial that's able to operate for under \$400,000 in total expenses and he was sure that meant they didn't have a mortgage and it's the same staff they've had for years. The bottom line is that the market will dictate. He said it is a saying that three casinos have already closed right now because they weren't economic. There are many on the list that do \$100, 200, and 300,000 a quarter. They have all the same burdens of a casino that's making \$700,000. If they are limited to two pits and 10 tables, there is nothing saved. There are still all of the administrative burden, overhead rent as before, but now they don't have five minimum wage dealers and a pit boss, so now they will have one two-thirds the income available with virtually the same overhead. He said those waiting on the list will not get built. He said it is difficult to find a site. With that hard evidence in hand that say you must make \$750,000 minimum win to break even, what part of the state hasn't been targeted so far. That's the question his organization is asking themselves. He said they have specific sites for them, but during the next six to twelve months, there will not be a lot of openings and there will probably be a lot of failures. He said he's a Blackjack player and loves to play. He knows as a player that the \$25 bet is a hindrance because if he gets stuck with the minimum bet at \$25, it's in the house's advantage because he doesn't have an opportunity to come back. He needs to have the ability to move his bet up and down because if he made a \$25 bet or made a \$100 bet every hand, he is guaranteed to lose. He must have velocity or movement in his bet and the \$25 bet is a hindrance to the player. He thinks the pilot program ought to be continued and the Commission should continue approving as many as they, which is maybe not in conformance with the Governor's request, but the fact is that there will only be three a month approved anyhow.

Commissioner Herbold said that, since the motion on the floor is to continue the pilot program with the existing 15 table max and \$100 maximum wager, she said she's not sure she understands how the economics of his operation or any individual's operation is affected by whether the Commission enacts permanent rules or continue a pilot program. The rules that apply are going to be the same so how does the Commission's decision affect his economics. **Mr. Duremes** said the economics are affected if the club drops down to a \$50 or \$75 maximum bet and 10 tables in an absolute death knell. As far as whether they have permanent or interim rules, he thinks that every time he comes to this Commission everything continues to changes as they go along. This has been his experience in the past. He thinks the Legislature should request or report a recommendation from the Gambling Commission to say what rules do you think work and how are they applied and to adopt permanent rules right they will be consistently be coming back in and changing, it's real loose. He said the administrators are writing the rules and enforcing them at the same time and he doesn't know that this will change in the next year whether they have permanent rules or not. **Commissioner Herbold** said that, if the Commission doesn't change the wager maximum or the table maximum, she asked him if the rules themselves affect his individual economics. **Mr. Duremes** said as a developer he's looking at the rules as this is the ground rules that he has to operate under and if they are kept the same, he feels better with continuation. He said at least he knows how strong the current is right now and where the winds are coming from. He is afraid that if permanent rules are adopted, they will probably sending the wrong message to the Legislature and the media that says that ins spite of what the Governor's request is, the Gambling Commission is going full speed ahead and every community is going to have a casino plopped right in the middle of their town. He said that by the same token he really supports local communities having the ability to legislate whether they're going to have gambling or not within their communities. He said it is their right because that's the people that live there that choose to live in that community and the community should be able to set the standards. He said that if they do have one casino, they ought to have all or none. **Commissioner Herbold** said that's the way it is now, and the legality of the moratoriums is being questioned now.

Scott Schweitzer, Life's a Gamble LLC, said they are one of the unlucky ones at the bottom of the list. He said their question whether it's permanent or a continuation of the pilot plan rules is "What about us?" He said they have invested substantial sums; they have huge commitments they've put out there under either methodology. They are talking about slowdown, but from their standpoint, for the last year, they have been poked and prodded and looked at in places they don't want to show and he thinks they passed everything with flying colors and are ready to spend 6.5 million on a facility, but he still doesn't have an answer yet as to whether he will have a license and whether he can go forward even though he has followed all the rules. So whether it's permanent or a continuation, what is the Commission going to do in terms of making it so that they can go forward or not. He said no decision is just as expensive to them as saying no so he hopes that in proposing something they are committing to things they would not commit to otherwise so can something be said in terms of will the Commission follow through with the people that they've committed to on the list – the whole list, not just part of the list if those people are going forward and committing to spend the money and do the things that they have been asked to do.

Commissioner Ludwig asked if they have a facility now. **Mr. Schwietzer** said they have a facility, but they are not going to spend the money if he cannot have be chosen from the list.

Darrell Duffy, Ruby's Casino in Kent, passed out information regarding his facility that was licensed in March. He said they were approved for opening the extended hours and the \$25 limit and they currently have 10 tables and a couple of days after they opened, the mayor wrote the Liquor Control Board to rescind the hours from 6 a.m. to 2 a.m. so the past two months, they have had 10 tables, a \$25 limit and closing at 2 a.m. and it is virtually impossible to make ends meet based upon those requirements. If the Commission is thinking of turning back the clock to those, he said they may as well turn in their keys right now because a lot of people will go broke. If alternatives are considered, they should look forward and be on a competitive playing field with the tribal casinos. The higher the limit, the more protection for the player. He said this may seem weird, but if the player cannot adjust up or down and place a 2 a.m. limit, card players who play 6 or 8 hours, at 8 or 9 o'clock at night they want to leave the facility and go to the other casinos that are open all night because they want to continue to play. The gamblers go out and gamble at 10, 11 or 12 o'clock at night and they want to play all night. They're different than five people that get up at 5 in the morning and go to work. He said people gamble at midnight won't come to his establishment because they don't want to sit down and have a couple of drinks and hit the road and go somewhere else. He said the city of Kent just approved them to be open until 6 a.m. and they hope this will allow them enough time to continue to be in business. He hopes they will not stifle people that have put this kind of money and commitment in and he hopes they will raise the limit and be on a even playing field with the rest of the establishments.

Vito Chiechi, RGA, said the motion before the Commission is one they support. The letter that he sent to the Commission attests to this. He told Commissioner Heavey that Senator Prentice has a task force she has put together to address these problems. Those who have invested a lot of time and money just want a rule that they can go ahead. Take the existing rules or make them permanent rules. What they need to have stopped is having the rules change every time there's a media blip about things that really are not going wrong, but are made to seem as if they were.

Chairperson McLaughlin said she didn't understand whether he wanted the permanent rules or the test program. **Mr. Chiechi** said he just wants a rule and he thinks they should stay with Commissioner Ludwig's motion and stay with the existing rules that are there, but move slowly.

Senator Prentice said that, as part of the interim work of the Legislature, she has invited the House Commerce and Trade Committee and drafted a letter and has addressed most of the issues discussed today plus many others. There isn't a lot of understanding of the entire picture. Her committee is also charged with the issues of horseracing, lottery and compulsive gambling. The only thing different is they are proposing to work together. They are setting schedules now and are hoping to get funding from the Legislature to have their meetings in different areas. She is happy to say that Senator Winsley is a new ex officio member of this Commission and Representative Alex Wood in addition to Representative Karen Schmidt. A lot of the moratoriums she's seen are political moratoriums where they just grandfather everyone in and haven't accomplished anything. She said they need to look at land use carefully and remember what happened under Seattle's old tolerance policy. She said it was important not to forget our history and where we are now which is with an extremely well regulated industry. She said the Legislature needs to learn a lot about what's been going on, why they are at the point they are now. It's a very uncomfortable position to be in when after working hard at understanding where they are and be labeled the "gambling queen" of the Legislature. She's not sure how she can be a longtime ally when half the time people are mad at her, but she welcomes free and open discussions. She encouraged lobbyists to continue talking to their legislators. There has been no momentum toward repeal that she has been able to discern other than occasional bills. There has been no momentum from the public if her e-mails and phone calls are any indication. She asks the same question as Commissioner Heavey – what will they be accomplishing if the pilot program is extended, but also communities have the opportunity if they really think this is a vice that they don't want, then ban it -- they are free to do that. She said she is in the position of trying to deal with things as they are to go forward.

Jeff Coon, owner and operator of All Star Lanes and Casino in Silverdale. Rather than being in support of either or, he wanted to make a few observations. He is a member of the RGA although his comments are personal. He said there are clear issues in his mind. If they are to continue under pilot program or adopt the permanent rules. He had two state legislators come into his office without invitation to gather information about his enhanced card room or mini casino. He started his research in September of '97 and was not approved to open until January of '99. It was his investment and he took that much time to make sure he knew what he was getting into. The state legislators are now starting to do that same thing so that gives him reason to believe why they would want to continue under the enhanced program under the pilot for a few more months because it does allow people time to gather additional information. He said if they were to do that they could continue. On the other hand, if the Commission decides to adopt the permanent rules, which makes sense, they should move on and give us the rulebook. However, he suggests that they adopt the permanent rules the same way they are in the pilot program and maybe the Legislature could make that final determination rather than having the Commission being placed under that pressure. He said if the permanent rules are adopted with a single change, for example, a reduction in tables, he would give the example of if there is enough traffic for a four-lane highway and they want to eliminate traffic and the highway is modified to two lanes, he guesses they might create more of a problem than more of a help; whereas, if there is not that much traffic and the lanes are increased to six, there's absolutely no impact on anyone.

George Teeney, La Center, said he belongs to the RGA, but he is representing himself. He said the issue of permanent rules as compared to test rules and he said it seemed if they had gone several directions today. If he would have been asked a year ago whether he would want permanent rules in place, he would have said yes, get it in quick and the reason for that is that the staff was learning at the same time as the industry and because of all the uncertainty, he probably spent an extra \$10 to \$15,000 in surveillance because they would say one thing is okay and then would reverse themselves back and forth and he wanted to get rules in place and move forward. However, since that time he has changed his mind and recommends going ahead with the test program because solidity that has been formed in this last year and a half is unbelievable. He said that if he looks at things on a day to day basis, it seems that nothing is accomplished but if he looks back over the past to 1988, the accomplishments have been monumental. He applauded the staff for the great work they've done over the last 18 months and that the Commission has taken on a difficult problem with many facets to it. He says he favors continuing with the test program because in the next six or eight months it can only improve. [end of Tape 2 Side B] [beginning of Tape 3 Side A] and the other people out in the audience they can work and again fine tune it to where it's even better so that they will be able to move forward.

Chairperson McLaughlin said introduced the former executive director of the Gambling Commission, Frank Miller. She said she had never heard him be so quiet. **Mr. Miller** said he was very close to coming up and asking one more question, but he decided against it. **Chairperson McLaughlin** said Mr. Miller came today because it was Commissioner Heavey's last meeting. **Commissioner Heavey** said he was ready to leave the Commission.

Commissioner Herbold asked if this discussion should be continued through tomorrow, since the question is up for a vote at that time. **Chairperson McLaughlin** said that was what she had in mind however it would be up to the Commission. Judge Forrest will be available by phone between 9:30-noon tomorrow.

Chairperson McLaughlin announced there would be a vote on this tomorrow and she closed public testimony for the day and will reopen it tomorrow in case someone has new testimony to give or did not get to testify today. She said she was amazed there weren't more who wanted to testify. She asked if anyone wanted to discuss any other subject. Being none, the meeting was adjourned.

EXECUTIVE SESSION

MEETING ADJOURNED until Friday, May 14, at 9:30 a.m.

WASHINGTON STATE GAMBLING COMMISSION

**MINUTES
COMMISSION MEETING
FRIDAY, MAY 14, 1999**

Chairperson McLaughlin called the meeting to order at 1:30 p.m. at the Heathman Lodge, Vancouver, Washington. She introduced the members of the Commission and the staff present.

MEMBERS PRESENT:

**LIZ McLAUGHLIN, Chairperson;
EDWARD HEAVEY,
CURTIS LUDWIG, and
PATRICIA L. HERBOLD
Ex Officio Members SENATOR MARGARITA PRENTICE, and
SENATOR SHIRLEY WINSLEY**

OTHERS PRESENT:

**BEN BISHOP, Executive Director;
SHERRI WINSLOW, Deputy Director of Operations;
ED FLEISHER, Deputy Director of Policy and Government Affairs;
CALLY CASS-HEALY, Assistant Director of Field Operations
DERRY FRIES, Assistant Director of Licensing Operations;
BOB BERG, Assistant Director, Special Operations;
AMY PATJENS, Manager, Communications and Legal Department;
JONATHAN McCOY, Assistant Attorney General;
TERRY WESTHOFF, Financial Investigations Unit; and
SUSAN YEAGER, Executive Assistant**

Chairperson McLaughlin announced that Commissioner Forrest is not present today, but is on the speaker phone.

APPROVAL OF MINUTES

Chairperson McLaughlin called for a motion to accept the minutes of April 8 and 9.

Commissioner Herbold pointed out a needed correction included a couple of typos. On page 37, after Chairperson McLaughlin closed the public testimony on the card room rules, it immediately jumps into Commissioner Heavey moved to approve the alternative with respect to the CPA and she said there is something missing in there because she specifically remembers that she made comments expressing that the primary reason she had offered alternative rules was her concern about the staff and their inability to keep up with the inspections, investigations and the like because of their inability to hire as quickly as they needed and that is all missing in the minutes. She asked Susan to check the tapes to see if there isn't a section of the minutes missing and she thinks it would be good to have that in the record.

Commissioner Ludwig moved to accept the minutes as they stand except for the comments on the pages that Commissioner Herbold discussed. **Commissioner Heavey** second the motion.

Vote taken; motion carried with five aye votes.

LEGISLATIVE UPDATE

Mr. Fleisher said that the Governor signed the one piece of gambling legislation that passed last session to lower the tax on the nonprofit organizations from 10 percent to 5 percent. That legislation has an effective date of January 1, 2000. The Legislature is coming into session next Monday and he said it is safe to say that they will not be acting on any gambling legislation in this special session.

Chairperson McLaughlin said she heard yesterday that the Royal Casino from Snohomish County gave \$25,000 to the foundation that takes care of numerous charities in the area. She said she enjoyed making such an announcement and she asked other let them know.

Commissioner Herbold said she thinks it's very commendable and she suggested that for those who are making those

kinds of contributions that maybe they look at some of the non profit organizations who are licensees and who are slowly losing money through their bingo revenues and the like and they could direct their contributions to those organizations where it will do a lot of good.

CARD ROOM ENHANCEMENT PROGRAM

Chairperson McLaughlin asked Commissioner Ludwig to restate his motion from yesterday.

Commissioner Ludwig moved to defer adoption of the permanent rules and to continue the pilot program until the March 15 date and if that isn't enough time, the Commission can always address that perhaps in the January or February meeting about extending it until they know the legislative session results.

Chairperson McLaughlin recalled that his original motion added a little bit on slowdown. Commissioner Heavey said it included a way to allocate resources that would have the effect of slowing down the process.

Commissioner Ludwig said he preferred to consider the original motion separately from the slowdown. **Commissioner Forrest** said he was present in spirit if not in body by speakerphone.

Chairperson McLaughlin brought Commissioner Forrest up to date on yesterday's discussion about lowering the table limits from the possibility of \$25 to \$100 down to \$50 and limiting the number of tables. She said it was not done in an amendment. It was just put on the floor for people to address. Out of the nearly 200 people that attended, somewhere between 160 and 200, they had nine testimonies. Six testified they wanted to continue on the test program with rules as they presently are three testified against and wanted to go to permanent rules.

Chairperson McLaughlin called for discussion on Commissioner Ludwig's motion.

Ms. Winslow said it might be helpful to mention there were two rules in the card room package that the staff had asked that the Commission considers taking action on and of those two rules, the first rule would be types of card games authorized. The staff has an alternative to that. This alternative makes the authorized games consistent with the RCW. It does remove Washington Blackjack and the house banked games so in effect doesn't make any changes for the house-banked activities. Said the first rule that she is referring to is Item 4A(a) WAC 230-40-010 Type of card games authorized. She said they have a modified version. The other one is in Subsection 4E(o) Other rules relating to card games. And that's the New Section 230-12-345 Leases, rentals, and license agreement.

Commissioner Heavey moved to amend the motion to exclude Items 4A(a) and Items 4E(o) from the package of permanent rules. **Commissioner Herbold** seconded the motion. **Chairperson McLaughlin** called for discussion on the amended motion. Vote taken; motion carried with five aye votes.

Commissioner Heavey said he was in favor of the motion, but he was very concerned that this is with the understanding that the Commission is going to allocate resources in order to give the staff time to do other tasks and the resources then will limit the Gambling Commission to considering no more than two applications for card room house banked games. He said he wanted it understood that he was in favor of the motion only with that understanding. **Commissioner Ludwig** said he tended to agree with Mr. Heavey on that point. **Commissioner Herbold** agreed with that point also and said that in fact it is the factor which inclines her to not suggest a further amendment with respect to only having 10 tables and a \$50 wagering limit for the extension of a pilot program if that's what they ultimately vote to do and it is because as she recalled her primary concern was the impact on the staff that this pilot test program has had when they've had so many licensees coming in and so many investigations and the like that she felt that the staff was being stretched too thin and in light of the fact that the commissioners are agreeing to slow down the process by allocating the staff resources so that they can carry on the other business of the Commission while they are continuing with the pilot program, she will not offer any amendment with respect to a different number of tables or different wagering limit because her primary concern will be dealt with that way and she will second Commissioner Ludwig's motion. Her only concern with extending the pilot program is because she does not feel that this can be indefinite. She said they need to look at this from time to time because if the Commission continues to extend it, she thinks that they will be in effect running afoul of the law that requires them not to limit licenses. They will in an indirect way be limiting licenses and she thinks they need to be very careful that this does have an end date at some point in time.

Commissioner Ludwig asked if the staff could keep the spirit of extension on the agenda at least every other meeting for the balance of this year. **Director Bishop** said they could do that and they will give them a report on their staffing levels and how they are coming along and will be glad to do that.

Chairperson McLaughlin called for the vote. *Vote taken; motion carried with five aye votes.*

Commissioner Herbold said that in conjunction with the card room rules, Ms. Winslow mentioned several modifications limiting the PSJ wagers to \$1, seven players, seven spots – that sort of thing – and she wondered if that needed a motion. **Ms. Winslow** informed Chairperson McLaughlin that she did not believe that it requires a motion, but if the Commission wanted to indicate support of that direction Ms. Winslow that would be appreciated so that the staff knew that the Commission was comfortable with that direction.

Commissioner Heavey moved that the staff resources be allocated so they can properly address the issues raised by the test program without extending their hours and efforts and that that would result in no more than two card room applications per month being addressed by the Commission until the completion of the test program. **Commissioner Forrest** seconded the motion.

Commissioner Ludwig said it occurs to him, only because he has been making some inquiries, that he understands that the number “two” may be very well justified. He thinks that they should be aware of the fact that every time they enter a new contract with a licensee it creates an additional regulatory constraint on the agency. For example, yesterday they approved three new ones. The staff is going to have to continually be devoting more of its time to that phase of the work and still try to keep up with processing the applicants that are very anxious to get into the program, but he doesn't think they can do it. Rather than to make this sound just like an arbitrary ruling, he doesn't really think they can keep up with their other duties and process more than two a month without having to work overtime and he does not think the Commission can expect them to keep working overtime like they have for substantial period of time during the past year, so that is why he seconded the motion and that is why he would vote for it.

Chairperson McLaughlin said she would vote for it but she would like to make it clear that she is assuming there may be some months where there's only one brought forward. She said it is not a mandatory two a month. **Commissioner Heavey** said the motion stated “not more than two”. **Commissioner Ludwig** said the motion doesn't make reference to those that are presently scheduled for July, August, and September and he wonders if they're scheduled whether or not the motion cuts that back.

Senator Winsley said that was the same question she was going to ask. She said this was something that was published on the top of the fact sheet has a date of April 23rd and at the bottom it has a date of May 11th. In May, there would be three, in June -- none, in July -- 4, August -- 3 and in September -- 2, for a total of 12. She said if they have already published this, it is an indication to those who are planning and it seemed to her that if the Commission wants two, they would go as of October.

Commissioner Heavey said if somebody offered that as an amendment he would accept it and if they don't he would amend his own motion. **Commissioner Ludwig** offered that the motion to cut back to the amount of “not more than two” which is probably consistent with the staff capabilities at this time, not to reduce those that are already scheduled.

Commissioner Herbold looked at the list and it seemed to her that on that list there were even some who were scheduled in July, August, and September, who are not 100 percent ready, and she wondered if the staff could answer the question as to whether any of those can be pushed back a little bit so they can get to the two per month even after today. **Chairperson McLaughlin** pointed out there was nothing scheduled for June. **Commissioner Herbold** said it seemed to her that some of them, for instance, had not hired any new employees, and some of them didn't have their surveillance system in. They had done their internal controls, but that's just a written document, and it seemed to her that the staff working with these people might be able to delay them a month for example and push several of them back. **Ms. Winslow** said they actually do that on a fairly regular basis when people are not ready to go forward, they are pushed back. They can push them back past the July, August, and September into October.

Commissioner Herbold also wanted to know if the commissioners request that the staff – that the director no longer waive the six-month requirement, how many licensees would that affect. Ms. Winslow said very few would be affected. The six month waiver generally, if somebody comes into the test program, they have to hire people that have the qualifications to run the operation and if they don't already have the experience, they will hire the experience and they will meet the waiver requirements. **Commissioner Herbold** said she is saying granting the waiver is discretionary with the director and if they take the position that that's one way to slow the process down. **Ms. Winslow** asked her if she meant not allowing anyone to get away with it. **Commissioner Herbold** said that it seemed to her that almost everyone that they see is waiving the six-month requirement. **Ms. Winslow** said the difficulty with that is the original purpose for that waiver is somewhat unclear to her. She said that after having the experience of working with the waiver, it is a good regulatory tool because of the way that it's set up it has the expectation that somebody has Washington card room experience as a means to get a waiver Washington card room experience does not necessarily mean that the a casino can be operated for house banked card games and it might have had very good intentions when it was first crafted, but for all practicality, it does not necessarily make for good regulation in her opinion.

Director Bishop noted that, in the permanent rules that they've just deferred, they did not ask that there be any six-month experience requirement, so their experience has found that going through the process requiring them to comply with all of the requirements leading up to get approved makes sure that they have the capability of following them. They felt that in recommending the rules that that was an antiquated procedure in any case.

Chairperson McLaughlin said that the way that the amendment was offered, she thought it almost said to the staff that they had to go forward with these on that schedule and she is not sure if that's what the maker of the motion meant. If they feel that these people aren't ready that they certainly shouldn't be pushed ahead. **Commissioner Ludwig** said that was not his intent. He said he thinks that's the way it's always worked with every applicant for house bank participation and he would not expect that the staff would change that in any manner.

Commissioner Herbold said she noticed on the same list the Senator referred to that only 20 of the applicants on the active list have current operating businesses, so when they get into the discussion of established businesses, that might be another area where the staff will be able to push back the applicants because they do not have established businesses for the requisite period of time. **Ms. Winslow** said that was correct.

Vote taken; motion carried with five aye votes.

Director Bishop said there was another part of Ms. Winslow's suggestion that had to do with several items that the staff had planned to incorporate into the contracts having to do with the approvals that the new fees limiting the jackpots to a dollar – that list of items she discussed yesterday – one specific and very important one that they were going to add by amendment was that the internal control evaluation be conducted. While they don't necessarily need a formal vote by the Commission, the staff would appreciate any direction along those lines would be very helpful especially from the licensee's part, they would know these are coming rather than having them just sprung on them by a letter from the director.

Commissioner Ludwig has been wondering during this discussion about the commissioner's agenda handouts that they have these listed and that Senator Winsley was referring to. He wanted to know if the people in attendance have access to this document. **Chairperson McLaughlin** said there were supposed to be copies made for the audience. **Director Bishop** said he did not think there were any made of those. **Commissioner Ludwig** said that for the benefit of those here they should ready that recommended modification list.

Ms. Winslow said the first item would be to establish new fees – the proposal to limit changes in the current test through May, nothing in June and then start new fees in July and what they would be doing with that would be modifying the fees that are included in the pilot study rule to work very similar or in fact just like the rule that they have on the agenda so that they could actually test the fees during the test program that they have in the rule. Limit the test program to seven players with seven wagering spots and they talked about making that effective July 1 because they recognize that people would have to change their table layouts. Limiting PSJ wagers to one dollar, limiting authorized games, particularly Baccarat and Red Dog because when they were reviewing the authorized games, they found that those did not fit the criteria of social card games. Testing the internal control evaluation rule, testing all gaming operational rules to include surveillance. The full time surveillance is particularly one of the more important items that they wanted to get an opportunity to test and then testing all the player-supported jackpot rules. Those are the items she had listed under the modifications to the test program. In essence what they would be doing is testing all of the operational-type rules in the card room package and then the new fees.

Chairperson McLaughlin said they had heard the recommended modifications to the test program and she asked the Commission if they wanted a motion on these or just agree that these are things that they think the staff should include in the test program. **Mr. McCoy** said that he thought that just stating the general direction from the Commission in a public forum that that's what the intent of the Commission is all that's required, since the contracts are in fact entered into by the director at the direction of the Commission.

Chairperson McLaughlin asked if there was any further discussion. **Commissioner Ludwig** said he agrees with the suggestions and he thinks it's another reason why extending the pilot program is a good idea.

Chairperson McLaughlin asked if all the other commissioner agree. **Commissioner Forrest** said he agreed.

Chairperson McLaughlin asked Director Bishop about the sale of businesses during the test. **Director Bishop** said that it was his intention that he would lift his restriction. He said he no longer sees any reason for not allowing sales. He said he thought that holding people back from selling their business with the fear that they would go out of the program would be undue punishment for them and he would lift that unless the Commission directs him otherwise. He said he would be sending out a letter early next week informing everyone of that. He would continue to maintain the restriction on people being able to buy their way into the program by buying a position on the list.

Commissioner Heavey said he did not understand the distinction. The policy has been that if an organization is in the test program and they have a house banked card room, they cannot sell that business until the test program is over. **Director Bishop** said they could sell it, but they would be out of the program. **Commissioner Heavey** said somebody applies for the license and scheduled to be heard in a certain order and then somebody comes along and says, "Let me buy your restaurant or tavern or whatever their business their operating. Let me buy your current card room and then they get that position in line. **Director Bishop** said he did not think that would be the situation. The situation would be that there are several people on the list and in fairness to them, they have paid at least their \$10,000 deposit, but they don't have a business. They're out shopping now for partners to join up and start a business somewhere. It was very lucrative at the start when the list was first made. When someone got on the list without a business, they actually restricted a lot of people that would have wanted to get into the program and they also created a windfall for those that happened to be in the forefront. That caused concern because they were trying to find legitimate businesses that wanted to stimulate their businesses by going into this program. That may have also outlived its usefulness by the passage of time and the fact that they have all had to deposit \$10,000 and apply for a license. In fact, lifting the prohibition on sale probably allows someone to get around that in any case. The test was not conducted to create a windfall for opportunists. When the list was frozen, a position on the list had a perceived value. Not allowing the sale of that position negates that opportunity. He said that, by lifting the prohibition against selling a business, that would work itself out on the list.

Commissioner Herbold asked if anyone was on the list that does not in fact have a business that just paid his or her \$10,000 and said put me on the list. **Director Bishop** said there were quite a few who don't have a premise yet even though they've paid the \$10,000. **Commissioner Herbold** said that the fact that they're extending the pilot program which automatically limits the number of applicants because they had cut them off in August or whatever, it seemed to her that would make those positions more valuable and more lucrative. **Director Bishop** said it concerned him at least when he made the initial action, but it may not be as big a concern now as it was at that point in time, but he still thinks that they have enough legitimate people on there who want to go forward that if someone comes in and happens to buy a position in front of them, that normally would not be able to go forward, it kind of pushes the other ones down. That is his reasoning behind the restriction in any case.

Commissioner Ludwig said it seemed to him that this may be another situation where they are trying to close the barn door a little too late because he does not think they should have let anybody on that list unless they met the qualifications required by the statute at the time they asked to get on it. **Director Bishop** said they cannot turn down any applications. If someone wants to apply for a license, they must accept it and go through the process to the depth that they can. **Commissioner Ludwig** said he stands corrected.

Commissioner Herbold said her opinion on that issue is that, since this is a pilot program and they can determine the requirements or restrictions, she would be supportive of their not allowing the sale of positions of those applicants that are in the program. **Chairperson McLaughlin** said if the Commission wished to support the executive director on and if he finds out he's made a mistake, he can tell them about it within a couple of months. She asked if there was anything else that they either wish to make a motion or discuss that goes along with their supporting the test program as is.

Ms. Winslow said she would like the Commission to address the issue of Phase II reviews, which take a significant amount of staff time. The original limit was to include Phase I and Phase II approvals, and she wondered if it would mean that the Commission would want them to just do one Phase I, one Phase II, or did they want to make a separate motion on how they go forward with Phase II approvals. **Chairperson McLaughlin** said the ones going to Phase II are already in the program. **Ms. Winslow** said that was correct but the changes from Phase I to Phase II do take a significant amount of staff time, which is one of the reasons that the Commission was going forward with their limitation on the Phase I's. **Commissioner Heavey** said his motion did not include Phase II. **Chairperson McLaughlin** asked if the original motion included Phase II. **Commissioner Heavey** said no. **Commissioner Herbold** said she assumed it included all of them. **Chairperson McLaughlin** said she assumed the same as Commissioner Herbold.

Commissioner Heavey repeated that his motion limited new applications applies to new applications. It did not address the issue of Phase II. His assumption was that the test program is the test program. They've made a motion to continue the test program and the test program includes going from Phase I to Phase II at the appropriate time, so his motion did not address changing the test program which has allocated resources in a way that they wouldn't be able to address more than two applications per month. The original motions, he assumed, was continue the test program as is except for two rules.

Commissioner Ludwig said that was his understanding as well because people who are in the program and have a contract and the expectation of going to Phase II and they've been reviewed and the six months have passed, he said he didn't think they could take that away from them now, but he hoped that they realize while they may be ready in six months, they've still got to realize that unless they are hiring new staff, they may not be able to get to them.

Chairperson McLaughlin asked if everyone agreed with Commissioner Ludwig on this point. **Commissioner Herbold** agreed and said she hopes that the staff will recognize their limitations. She knows they have knocked themselves out thus far in the program to accommodate the licensees and she hoped that they will realize that there's a limit as to how much they can do and she hoped the licensees will recognize that also. **Chairperson McLaughlin** asked if Ms. Winslow understands she does not have to work 80 hours a week.

Chairperson McLaughlin said they have before them 4A(a) and 4E(o) and called for a motion to accept either one of them. **Ms. Winslow** said there were two rules that the staff asks the Commission to consider taking action on. The first rule is 4A(a) and they did hand out an alternative version of that rule which is the yellow copy that was just passed out to them. This alternative makes the authorized games consistent with the RCW. It does remove Washington Blackjack as an authorized game and it also removes house banked card games from authorized games. She pointed out that if the Commission enacts this rule in the manner in its present form, it would impact their rulemaking on the Washington Blackjack section of the agenda.

Ms. Patjens said this had been discussed some previously, but she advised that Washington Blackjack should be left in right now because the next month is when they could really vote to repeal Washington Blackjack. The other option would be to just hold this particular alternative over until next month which means it would be effective the middle of July instead of effective being effective July 1, 1999. **Commissioner Heavey** asked if she was recommending that the Commission to hold it over or put Washington Blackjack back in. **Ms. Winslow** said it might make more sense to hold it over so they can make a determination on what they would like to do with Washington Blackjack. **Director Bishop** said that would be his request. Ms. Winslow said that would make it happen at the same time.

Commissioner Heavey moved that they hold this over to next meeting. **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with five aye votes.*

Ms. Winslow said the other WAC rule that they would like the Commission to take action on is WAC 230-12-345, which is in the card room rules package at the end under Section 4E(o). This WAC rule sets out the requirements and restrictions for leasing and renting gambling equipment. It was included in the card room package so that it would be able to recognize playing cards as part of this requirement and it also establishes what the fee structure would be for electronic bingo equipment.

Chairperson McLaughlin called for a motion. **Commissioner Ludwig** moved that the Commission adopt the proposed rule to administrative code 230-12-345 as set out in Item 4E(o). **Commissioner Herbold** seconded the motion. **Chairperson McLaughlin** asked if there were further discussion or public comment on the proposed rule. *Vote taken; motion carried with five aye votes.*

BINGO RULES

Ms Patjens said there were five bingo rules that are up for final action today. These rules are those that they originally started working on with nonprofit organizations in the Yakima County area. The field agents have been working not only with the Yakima County nonprofit groups, but also with the entire WCCGA on these. What they do as a whole is give the organizations more flexibility with their promotions. Currently, Item 3A deals with gift certificates and a bingo operation can issue a gift certificate as prize instead of issuing cash or merchandize. Under the current rule, they can do this four times a year. Under the proposed rule, there would be no limit on the number of times they could do this. Also under the current rule, the gift certificates are limited to \$40 and under the proposed rule, it would be a \$50 limit. Item 3B deals with discounts and promos and under the current rule, a Bingo operation can give promos eight times a year. Under the proposed rule, that would be increased to twelve times a year. Also, the value of the promotional merchandize gifts would be increased from \$3 to \$5. Item 3C is simply a definition of promotional marketing gifts. Item 3D just needed to be reworded so that it would be consistent with 3A. Last, Item 3E deals with the activities that can be conducted as part of Bingo games, allows the organization to actually use Bingo cards instead of other types of tickets when they want to have drawings and there is also a small change that would allow Buddy Bingo. These are up for final action and she called for questions.

Chairperson McLaughlin called for a motion. **Commissioner Heavey** moved to adopt the rules. **Commissioner Ludwig** seconded the motion. **Chairperson McLaughlin** called for testimony.

Cecilia Voigt, Yakima Greenway Foundation Bingo, said these are their rules along with the other people in Yakima. They put them together in order to create a little more flexibility for themselves as has been stated and they are present again to remind them that they would like the Commission to approve and pass them. *Vote take; motion carried with five aye votes.*

RULES FOR DISCUSSION

WASHINGTON BLACKJACK.

Chairperson McLaughlin said these rules have been filed for discussion. **Ms. Patjens** said the original rule was actually filed after March's Commission meeting and it was held over because it made sense to choose their option of the three. Under the original rules, fees can only be collected on the time basis which we would be back to the \$3 per half hour and Washington Blackjack would use six stacks and if the minimum bank could not exceed \$500, right now there's no minimum on the bank and then also under the original rule, it would take out house dealers. Under alternative No. 1, it would decrease the number of decks from six to two. The effect of this would go hand-in-hand with another part which makes it clear that if a player passes on dealing, then they can't play in the next two hands. The second alternative would actually be a complete repeal of Washington Blackjack. There's some additional information about Washington Blackjack under handout packet No. 1, Tab 17 and as they have heard from past Commission meetings and also have heard an update from Assistant Director Bob Berg yesterday, Washington Blackjack is pretty difficult to regulate absent doing undercover investigations, so the staff recommends further discussion. They recommend that at the next Commission meeting would be the repealer be the rule that would be adopted.

Chairperson McLaughlin wondered if there was someplace in Washington where Washington Blackjack was played correctly. **Someone in the audience** said that that assumption was correct – that there were a couple of locations where it is played. **Chairperson McLaughlin** said that if they repeal it she wondered what happened to those card rooms. Would they be eligible then to go into a small house banked program. **Director Bishop** said they would be eligible to go into house banked. **Chairperson McLaughlin** said they are not on the list. **Director Bishop** said it would be delayed because they would have to wait until the end of the program if they weren't on the list. Some of them are on the list. He said one of the card room who had been operating Blackjack correctly was on the list and approved yesterday. Another is scheduled for July. **Chairperson McLaughlin** wanted to know if they would lose their card rooms altogether if they repeal. **Director Bishop** said they were still able to play any other card rooms – just not Washington Blackjack.

Commissioner Ludwig wanted to know if a player doesn't want to accept the deal that's banked, does he have to sit out two hands. **Ms. Patjens** said that under alternative one they would have to sit out for two hands. **Commissioner Ludwig** asked what the logic was behind that. **Ms. Patjens** said she thought it was when Washington Blackjack was originally created, it was done with the idea that if the player was going to go in and play the game, then when it's the player's turn to be the dealer, they are going to take on that responsibility and so she thought that helps getting around the people who come in and bank the whole game – at least this way the deal is going to have to rotate. If the player doesn't want to have that option, they will have to sit out. **Commissioner Ludwig** said that penalizes the person that doesn't want to deal – not the person that want to just keep the bank all the time. **Director Bishop** said there is an advantage – the odds are in the player's favor when they are dealing although they're small they're in the player's favor and when the Commission originally passed Washington Blackjack, to keep the game so that players were on an equal basis, no one has an advantage, it required the deal to pass so that eventually, although a player is at a disadvantage this hand, when it becomes the player's deal, he or she makes that up. That was the theory behind passing the deal recognizing that many people never want to deal. The original rule was passed to offer that game, not to make it a completely viable game, but to make it available for those that wanted to do that. If the players wants to sit down, then they have to take their chance dealing. They had never anticipated that there would be things like \$2,000 required to deal – which is actually some of the rules around there now. He thinks that in those days they were anticipating that people could actually do it with \$150 or \$200 because the bet limits were \$10, they only had to deal one round and then they could pass the deal. They didn't have to sit there and go through six decks, so that's a little of the background on it. The whole reason for passing the deal, though, is to make the game equal among the players.

Commissioner Ludwig said he appreciates that information, but that it still occurs to him that maybe he didn't want to be that equal or to be on as good a footing as somebody else. He might have \$15 and might just want to play Blackjack. **Director Bishop** said he was back to free choice.

Chairperson McLaughlin said they were just discussing it today and would be on the June agenda.

Ms. Winslow said the staff received a request to do some follow-up research on the proposals for internal controls. Although the Commission has determined that it does not want to go forward with that, that evaluation process will be put into the test program. She said their findings from their research revealed that potential sources to perform the services and related costs, they do have a summary that is their handout packet #2. Assistant Director Cass-Healy summarized sources. One is a service supplier and then there are two CPA firms. They said that the minimum time that it would take the internal control evaluation would be 40 hours. The average would likely be about 80 hours to do that work. Minimum costs range from about 2500; average cost ranged about \$6,000. They received a detailed overview of the qualifications from one of the

accounting firms from Masters and Daniels and they will likely use this as an example when they request information on the qualifications of other organizations that want to come into the test program to provide this type of service. She wanted to update the commissioners on that because it was the request for further work from the staff.

Chairperson McLaughlin asked Mr. McCoy if they needed to go forward with this particular rule. Mr. McCoy said it would not be required that they go forward with the rule. It's one of those things that can be amended as part of the pilot program.

RULES UP FOR DISCUSSION AND POSSIBLE FILING

RICK BALAM'S PROPOSED INTERNAL CONTROL EVALUATION PROCEDURES FOR CARD ROOMS

Director Bishop said this was part of the previous discussion and they filed it as an alternative last month and they planned to bring his services in as far as part of the test that they will be doing.

Chairperson McLaughlin wondered why it was on the agenda, then. Ms. Winslow said it was basically a timing difference. The original Subsection 6 was filed at a different time and Mr. Balam's proposal is up for possible filing so they will actually use the staff's alternative likely for the test program and if Mr. Balam would like to submit comments, they will take those under consideration for the test program.

ESTABLISHED BUSINESS DEFINED

Ms. Patjens said that at the last Commission meeting, he raised the issue of what happens when a person buys a business, a restaurant that it was a previously closed business and what has been happening is that people are opening their restaurant and the card room at the same time. Under the current rule, they had to be open to the public for 90 days; that then there was an exception and the exception was that a business would be considered established if it had received all of its permits and then also gave an estimate of what its food and drink sales would be and then an estimate of what all of its other business activities would be. As she mentioned, there have been several exceptions during the house banked program. What Item 8A would do is make it clear that a business would have to actually operate the restaurant for 30 days before it could start the gambling activities and then under Item 8B, it clarifies that a food and drink business must be open to the public at all times that the gambling activities are being operated. The staff recommends filing, but she pointed out a couple of issues to think about. One is that the way the WAC is written right now is that it would include all gambling activities meaning pull tabs, so if someone has purchased a business and it is closed for a period of time and then reopen it, the restaurant would have to be open for 30 days before they could start doing the pull tabs. Another issue to ponder which they were asked during the study session yesterday is what happens if someone buys an existing restaurant – it's been open to the public but then they planned to do extensive remodeling. The business is closed while the remodeling is going on and then when the business is reopened, is it necessary to have the restaurant business going for 30 days. The last thing is that 30 days may not be what the Commission wants. They may want to have that period shortened or lengthened.

Chairperson McLaughlin asked if her understanding was correct that the person has purchased an _____ and that person has not operated it himself; he closes it for renovation then he can open it again. Is he required then to have the 30 days of operation before he can open his "enhanced card room." **Ms. Patjens** said that would be the question with the remodel that they would want direction on. She said she thought that the way that it is worded right now, they would have to operate for 30 days. **Chairperson McLaughlin** asked if that person operated the restaurant for 30 days, then closed it and remodeled it, they could open it and open their enhanced card room at the same time. **Ms. Patjens** said that was a good question. She said it wouldn't be clearly answered by the proposed rule and so they would need to work that in with whatever their wishes are if they would be comfortable with the fact that they had operated the restaurant portion for 30 days, then closed during a remodel, then it's okay to go ahead and have them open simultaneously, then they probably just want to make a rule that clearly states that so people know at the beginning.

Commissioner Ludwig said his concern when he suggested at the last meeting that they ought to have a rule was that the original card rooms were available to people who had a food or beverage license. Now they've seen over the past year people wanting to get house banked room. They go out and find a location and apply and they're not an established food or beverage business and he didn't want it to be complicated, but he thinks they ought to be qualified when they apply. He says he realizes what the director has said about not knowing how qualified they are until they get into it, but they ought to be that basic food or beverage business before they apply for a house banked license because when they get into permanent rules, there's not going to be a lot of expense to apply. He said maybe some deposits and expenses they will be considering, but they ought to be an established food and beverage business. He says he realizes this is an attractive area for a lot of people that have money to invest and some of them are bringing in lots and lots of money and they're going around looking for locations, not establish a food and beverage business, but to have a house banked card room business. And they are getting away from the original purpose that only a food and beverage business is qualified to do it – not just

because they have the money to buy a corner lot with a building they can tear down and rebuild. He said it seemed to him that the purpose was to get back to what is an established business. He said he doesn't care if they buy it and they close it down or they remodel it, if it's not a food and beverage business, they shouldn't be allowed to apply for a house banked card room license.

Commissioner Forrest said he agrees with Commissioner Ludwig. This rule or something similar to it would be more consistent with the existing RCWs than the current practice.

Chairperson McLaughlin said her copy says this was filed on April 13, 1999. Ms. Patjens said that what has been filed is a 101 which is just the initial step that the staff must file to let the public know that they are considering a rule. Then they must wait 30 days before they can actually ask the Commission to file the 102 and that general notice has gone out.

Commissioner Herbold said that with respect to the existing WAC 230-02-380, she wondered if they are following the guidelines that are in there now and actually getting a planned operating schedule which includes estimated gross sales from each separate activity to be conducted on the premises et cetera.

Ms. McCoy said they are doing that now.

Mr. Fleisher said he wanted to clarify that on Commissioner Ludwig's discussion he said if the Commission wants language that does what Commissioner Ludwig was suggesting which really moves it back to a point in time to the filing of the application, they should probably file an alternative version to this language that would deal with that. This doesn't pull that quite back in time.

Chairperson McLaughlin asked Commissioner Ludwig if he wanted to consider waiting until next month with an alternative rule being brought forward to do what he wants to do. Commissioner Ludwig said it just occurs to him that if they read just the first section with no proviso, maybe that's all they need. Director Bishop said what they were trying to do with the proviso is to allow someone to purchase an ongoing business and this happens in taverns a lot – they have punch boards and pull tabs and someone will come in and buy the tavern – that is an established business. So that was the staff's attempt what they were trying to delineate the difference between a new business and a previously operating business. Then they got into the remodel. What happens if someone buys a business and close it down for six months? Is it now a new business or a different business?

Commissioner Heavey said that during the discussion he was going through the packet called Commission Meeting Handout Packet No. 2 and there are some letters and under Tab No. 36 the one that comes to his attention is written by an organization called Happy Guests International and they're going to go out to Auburn and build a restaurant and put in a card room and all of this at the same to get the financing backing. The interesting thing about this is that it's a new corporation and it's new restaurant but the letter is signed by Gerald Artingen (?), president, who has operated restaurants for the last 30 years. Ms. Patjens said he had operated them longer than that. And now they are going to say, "Oh, Jerry, you can't have a card room." He said that didn't make sense to him. He said if a person wants to open a restaurant and they have the experience, it's kind of like saying, "Well, you can't have booze because you don't have a restaurant." You can't have a restaurant and a lounge because you're not an established business. So they do have a provision in the license application that they have to be a restaurant for 30 days before they get a liquor license. The suggestion is that they have to be an established business at the time of application. What he is seeing is that that means that people like Jerry Kingen -- or even Michels Development -- who operate places throughout the country can't come into Washington or even a local person coming in and wanting to open a restaurant, lounge and a card room because he thinks that will be great business opportunity. He said they can't do it. Chairperson McLaughlin pointed out that he could if he operated the restaurant for 30 days and then just like the Liquor Board does. Commissioner Heavey said the suggestion is they have to be a operating restaurant at the time they apply. If that's the rule, then they do not create any new business opportunities. It is suggested by the staff 90 days seemed to be a little long, but that fits in consistent with what the Liquor Board does. It says you have to be a restaurant for 30 days and then you can start serving booze.

Commissioner Ludwig pointed out to Commissioner Heavey that in the last paragraph of the letter that he was referring to in his remarks is significant: "We would not buy the land nor build this building unless we were opening an enhanced card room." **Commissioner Heavey** said that what he is saying is we're going to tell Jerry Kingen or people like him that's operated restaurant successfully – he's a Red Robin guy, he's operated Salty's all very successful operations – are they going to tell him he can't open a card room. He doesn't mean just him but people like him. It seems to him that that cuts off business opportunities.

Senator Winsley wanted to know why this basic restriction was made in the first place. **Director Bishop** said that when this rule was originally passed and that was with the 90 days it goes back to statutory restrictions or requirements and it says an established business and he thinks it says a food and drink business or something along that line – at that location – can utilize gambling activities to stimulate their food and drink business, so establish was not defined. So the Commission

defined establish by saying any business that has been open to the public serving food and drink for 90 days shall be deemed to be established and then there were exceptions to it by saying recognizing that some businesses may very well have a legitimate purpose of being a food and drink business, but still needs that to establish or stimulate their sales from day one. So there was the exception that says as long as the operator had all his permits, showed that he has an operating plan that indicates that he is in fact opening this business to be a food and drink business rather than as gambling business, that was the reason for the exception and it's never been a problem until this point and now they have a new animal here.

Commissioner Herbold asked what would happen if they left both of those in. Left in the existing language that would cover the situation and what Commissioner Heavey just suggested and then add a further proviso with the new language that would cover a purchase situation by somebody who does not have restaurant experience and is just really interested in opening a gambling establishment. **Director Bishop** said it was his original intent that if someone purchased a business that was in fact a food and drink business – in other words if someone came in and purchased Salty's and changed ownership the next day, they would qualify. The business had been established. **Chairperson McLaughlin** said she knows of a new enhanced card room that has a viable restaurant with it, but both of them opened at the same time and as far as she knows the owners – this is their first venture – they're not established restaurateurs – how do they get open following this rule that's here now? **Director Bishop** said they got opened by presenting a business plan saying "Here's our restaurant. We've got our liquor license so we have a commitment letter from the Liquor Board, a bar set up, here's what we plan to do." That was allowed under the exception – they had all their permits. **Chairperson McLaughlin** asked if there had been a problem. **Director Bishop** said procedurally there had not been.

Commissioner Ludwig explained what he perceived was the problem. He said he thinks this should be filed so they can continue to discuss it, but he is going to give this a lot of thought based on what Commissioner Heavey's comment; however, he perceives the problem, once again, over the past couple of months, when he saw these new enhanced card room contracts going to people who went out and bought a location – not a business – not an established business, but bought a location, got their contract for an enhanced card room and a new business when there were existing established businesses still waiting in line for that opportunity and it seemed to him if one is fleet of foot and quick to get in there and find a location and apply, an operator can get the license when other people are giving it some thought and wanting to get involved aren't quite as fast on the draw. That was the problem he perceived and it may not be troublesome to others as it is to him. That is the problem he was trying to correct, but as time goes on when they get into permanent rules, this may not be of concern to anyone including himself.

Commissioner Ludwig moved to file the proposed rule for further discussion; Commissioner Forrest seconded the motion.

Commissioner Herbold asked if when they discuss this at the next meeting if it would be appropriate to tie in a discussion of commercial stimulants at the same. It seems to her that these are kind of interrelated and that they should resolve it at the same time. **Chairperson McLaughlin** said this should be discussed during the discussion but they need to file this rule right now. **Commissioner Herbold** agreed but suggested that next month when they are discussing this also talk about commercial stimulant.

Vote taken; motion carried with five ayes.

PUBLIC DISCLOSURE

AMENDATORY SECTIONS WAC 020 AND 025

Ms. Patjens said there are two rules that are up for discussion and possible filing. The staff were recently reviewing the state law on the secondary dissemination of criminal history record information and then also the agency's own internal policy on this and what they found is that the rules are actually more restrictive and not consistent with what the state law or the policy says this is to clean that up. What the rules do are clarify that the Commission can disclose conviction records which under state law conviction records can be disclosed to anyone and furthermore, what is always there says that not conviction records, however, would be something that they would not disclose so the staff recommends filing.

Commissioner Ludwig moved to file both proposed rules for further discussion. Commissioner Herbold seconded the motion. *Vote taken; motion carried with five aye votes*

SUPPLEMENTAL BUDGET PROPOSAL

Director Bishop said that at yesterday's meeting, he presented a budget proposal by the staff for an additional \$6.6 million during the next biennium. The breakdown on that was \$4.7 million for card room enhancement program figuring that they would have 80 by the end of the biennium. The Tribal Lottery System includes a request for \$762,000, and, finally a new

position that would work with the non profits, a non profit coordinator, that would be \$157,000. Lastly, the request for relocation of the agency's office facility because the agency has outgrown the present building, and new equipment is needed, for a total of \$980,000. This would be funded within current fee requirements so they would not ask for any new fee increases. For the benefit of Senator Winsley, he explained that the agency is self-funded, they have a revolving fund. Licensees and the tribes pay for all of the services and it would require no state funds to fund this.

Senator Prentice said that there was a bill in the House and one of the provisions would have been that there would have to have been public hearings locally whenever an enhanced card room was brought in. One of the reasons that bill did not progress in the Senate was their concern that they were going to be imposing on this Commission a whole new raft of activities and it would have required a lot of new staff. She said she would like at some point an estimate of this type of activity – how many kinds of hearings, what kind of increase in staff, what kind of additional funding would be required from the licensees because that was what she didn't have in hand and there's a still a move to try when they are in special session to bring this bill up and this is with Senator Winsley's help who is a ranking minority on that committee and they have resisted those. She wants to be able to justify so that it looks like more than just their stubbornness.

Chairperson McLaughlin pointed out that as she read some of the testimony Senator Prentice brought out the fact that the gambling legislation is not the same as the Liquor Board legislation and when there is a public hearing, people expect the impact – the thing before them, and the way the law is written as far as she knows, they can't limit licenses. She wondered what the point would be of a public hearing then?

Senator Prentice said it was exactly that. She said they brought that out – that the public would be even more frustrated if they had this hearing and then somebody said, "Well, sorry, there's still nothing we can do about it." They have enough hearings like. But they did make that point but evidently it hasn't really been heard and she thinks that it wouldn't hurt them also to say to buttress the arguments and the reasons why they didn't proceed with that, and she's not saying interfering with this, but to please give her some figures in hand by the time they start having their interim activities so that they can say this didn't make a lot of sense instead of just having it come from her. She needs facts and figures that will document what they were talking about so they can make a better case than they did the first time.

Director Bishop said they did some basic number crunching on that and he said he would be glad to at the direction of the Commission to provide her with whatever she wished.

Senator Prentice said as recently as yesterday during the Governor's press conference, someone asked the Governor if he was going to try and put pressure on them to bring that bill up during special session. She said she doesn't anticipate that, but she just wants to be prepared anytime because this kind of pressure from folks who've not thought it through or obviously why would they know the inner workings of the Gambling Commission, but she just wants to be able to show that their position is a reasonable one.

Senator Winsley said she noticed the Gambling Commission is moving two blocks away and she wanted to know how many years the lease is that they will be signing. **Mr. Fleisher** said he thought it was five years, but he would have to check. **Senator Winsley** suggested they not sign more than a five-year lease because there could be a new office building built for the state.

Commissioner Ludwig moved to adopt the supplemental budget recommended by the director. **Commissioner Herbold** seconded the motion. Vote taken; motion carried with five aye votes.

DISCUSSION OF VIDEO PULL TABS FOR CHARITABLE AND NON PROFIT ORGANIZATIONS

Chairperson McLaughlin said they had not received a formal opinion from the Attorney General's Office. It will either be at the end of the month or the beginning of next month. **Mr. McCoy** said that the indication that he got after talking to the Jim Pharris, who's the attorney who administers the formal AG opinion process and he indicated that it's usually about 60 to 90 days for a formal opinion. That would put it in the timeframe of the end of May or sometime in June.

FAREWELL TO COMMISSIONER HEAVEY

Chairperson McLaughlin said there is a piece of business that should come before the Commission today -- saying farewell to Commissioner Heavey. She wanted to start the process by saying that they would all miss him because he wakens up the meetings often. She said she would miss his quick wit and his intelligence. She said she wished she could think as fast as he does. She said she would miss the fact that he is her resident Democrat along with herself on the Commission and he enjoyed having the two and a half years that she has had with him.

Commissioner Herbold said she would miss his presence. She said she enjoyed serving on the Commission with him and she knows that about a year ago he was thinking about stepping down and decided not to and she is glad he did not. She said what had been especially helpful to her and impressive is his historical perspective with respect to things that happened on the Commission that she would otherwise have no knowledge about and that has really helped her putting things into perspective because she not only has the facts before them today but she can hear from Commissioner Heavey what the thought process was years ago when things first came up. She said all of them will miss his quick wit. His perspective as a former legislator, judge, and now person in mediation business gives him a unique ability to analyze matters and he will be sorely missed.

Commissioner Ludwig said Judge Heavey an acquaintance of his – the only one on the Commission when he first came on that he had already known and he considered him a friend before he was a commissioner and he feels a lot stronger about that friendship now that he has spent time and worked with him and the commissioners will all miss him.

Commissioner Forrest said Commissioner Heavey was a great help in keeping them all from getting too pompous and he enjoyed the questions he comes to the meetings with. Another thing is that he challenges the staff or the people or the industry by asking tough questions. He also has a lot of lively ideas and he will miss him in the years to come.

Director Bishop said that there's a cliché that goes something along the line that how well one does at the game of life is the cards that are dealt. Judge Heavey has taught the staff and is an example for everyone that the cards are only part of how well one does in the game of life. It's how well you play those cards. Commissioner Heavey has taught the staff through his wisdom to play them very well and the staff appreciates that. His perspective always has been to provide them with guidance to steer them in the right direction. Sometimes the staff hasn't understood as quickly as they may have, but they certainly appreciate his wisdom and they will miss him.

John Beadle speaking for the Washington Charitable and Civic Gaming Association said to Judge Heavey that all of the non profits in this room and throughout the state of Washington join him in extending a heartfelt thanks for his support on the charities of this state. He has done a tremendous job for Washington State charities and he will always be remembered as a friend and he has been a very straight shooter and they appreciated it. Along those lines, they found a memento to remember the charities by and after checking into his background they heard he was a real Mariners fan so they attempted to make arrangements for him to hit the ball on the field of the new stadium and run the bases, but someone had already beat them to that. But instead they presented him with signed and autographed balls from Alex Rodriguez and Ken Griffey Jr. The inscription on the plaque reads, "Presented in recognition of your dedication and service to the charitable and non profit gaming industry. Our most sincere appreciation. WCCGA"

Mr. Beadle said that one last thing is that when Judge Heavey goes to these Mariners games being the outdoorsman that he is, they want him to feel nice warm so without further ado they found a very nice leather Mariners jacket. He said if it doesn't fit, they will get a larger size. He thanked him on behalf of all non profit organizations. **Commissioner Heavey** said he's in an expansive mood and admired his gift.

Bob Tull welcomed Ed Heavey to the "Society of Former Commissioners." He said he thought he would like the meeting scheduled – there are none, there are no dues, no rules, and some people think they probably continue the effectiveness that they have while they were serving. But he did want to express his, he thinks, unique perspective having served with Commissioner and having practiced before Commissioner Heavey over the last several years. He said it had been a very interesting six years and he thinks that John Beadle just spoke probably summarizes a lot of people's thought – that he had done a great job and the at times startling candor that he brings to the expression of his views is absolutely necessary just as the turnover on the Commission is necessary, and part of the system to make it work, people have to speak their minds and the commissioners are paid the big bucks to speak their minds and to help through debate further the interests of the people of the state and he thinks Commissioner Heavey has done an outstanding job and whoever follows in his footsteps will be hard pressed to fill those shoes. He congratulated him and welcomes him to the "Society."

Frank Miller, former Executive Director of the Gambling Commission, said he was glad to be back after 20 months of absence and he wanted to be here for this date. He said he had to bite his tongue yesterday because he really wanted to get up and have some of this debate with them and it was a good debate and before he talked about Ed, he wanted to say the independence of this Commission has been challenged many times over the years and he congratulates them on their vote date – it was a tough debate with all the media and attention that goes with it and he congratulated them for withholding that independence of this agency which is what makes it so strong and that's what makes regulation so strong in Washington.

He said that whenever he used to get a new commissioner on board, he used to call up and say, "tell me about this person," and he used to go out and meet with them. He can recall his last one with Commissioner Herbold, and he gave her a 30-minute summary of the world and her eyes widened, but he tried to convince Commissioner Heavey that being a

commissioner was a great job. The pay isn't very good, they go to elaborate places around the state so they can have these little mini vacations every month and the people are great, the issues are tough, but there are some real benefits to this and he told him he thought he would enjoy it. At their first meeting, the hotel was not quite up to par and this was Commissioner Heavey's first meeting. This was a hotel that sold pull-tabs at the hotel counter. It wasn't a very comfortable place and Commissioner Heavey went to him and said, "Miller. That's one." Mr. Miller said "Don't worry, Ed, we're going across the state next month and next month's going to be a great meeting." So the next month they were at another small town across the state. This hotel was partially open – the restaurant wasn't open and even the hotel was closed and they put them into an annex, and it was tough meeting with tough issues. Commissioner Heavey looked and Mr. Miller and said (and then he said he couldn't repeat what Ed said). So the point is he could look where he is at now – last month was Semiahmoo, this month it's Heathman Lodge – so he did a good job!

Mr. Miller said the independence of this Commission is so important and he speaks from his heart and there were a lot of challenges and it's tough to be a commissioner and it's tough to sit here to serve it for six years. He said Commissioner Heavey had a lot of pressure on his schedule with his own business after semi-retirement from the bench and he hung in there. He also fought for the independence of this agency and he cannot stress that enough and that doesn't mean they agreed on every issue. He pointed out that the previous evening they talked about one issue he was wrong in. (Laughter) But he never missed a vote and that's critical and Mr. Miller said Commissioner Heavey taught him many, many lessons about "Yeah, we're part of the political world and we'll listen, but we'll do what's right" and Mr. Miller applauds him for that and for always having the courage to make that difficult and that's very important and this Commission is a much, much stronger agency because of that. He said that even though he thought Commissioner Heavey was fair to all segments of this industry, he really believes that touching the charities doing tremendous work for them. He thanked him for the opportunity for work with him and wished him the very, very best.

Vita Chiechi said that on behalf of the Recreational Gaming Association he thanked him for all the good work he has done and said that his levity has always made the meeting enjoyable. He said he could remember when he lobbied Representative Heavey and he threw me out of his office so many times, but he always allowed him back in to explain their position and he did the same thing as a Commissioner. He said they enjoyed having him even if they didn't always agree. He said they tried to get some gold-plated cards, but they couldn't find any place to get them gold-plated and at the price of gold. He thanked him and wished him good luck in his next ventures whatever they may be.

Commissioner Heavey said he appreciated very much the comments made. His wife and family will be very happy do now not have to have a funeral because the eulogy has already been expressed – all the nice things that can be said have already been said and he does appreciate very much the license they've taken with the truth when they say all those nice things about him. He said he tried to do a good job and he did want to step down last September and Pat Herbold talked him into staying and he's glad that she did because he's enjoyed the last few months. He enjoyed working with his two fellow Democrats he's known for so many years – Kurt and Liz – who've been nice to him and put up with a lot from him as has the staff and he tries to do the best that he can and he sincerely apologized for the bluntness in his manner. He knows that it's difficult to take when they are on the other side – but that is his style and he apologized for the insults that he has made, but he has enjoyed his time. He thanked every one very much.

He said he would take ownership of all the gifts on July 1st when his term is ended, but in the meantime he won't give them back. **Chairperson McLaughlin** said he couldn't wear them to the game until after his term was over.

Chairperson McLaughlin said the staff and Commission members had a dinner last night for Commissioner Heavey and at that time they gave him their gifts -- a sweatshirt, a hat, and his gold badge mounted into a plaque. **Commissioner Heavey** said Director Bishop gave him a really very nice container with pictures on it and inside was some cookies.

Chairperson McLaughlin asked if there was anyone present who wanted to address the Commission. There being none, she adjourned the meeting.

Submitted to the Commission for approval:

*Susan D. Yeager
Executive Assistant*